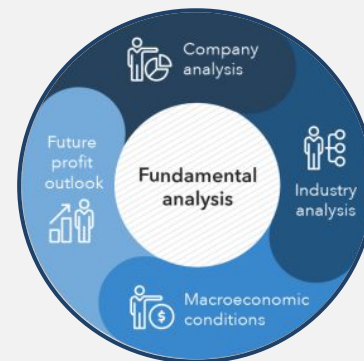# Analysing Stock

❑ **Fundamental Analysis**

- Use of financial, economic, quantitative & qualitative elements to determine intrinsic value of a stock

- What is Intrinsic value?

- Undervalued/Overvalued stock

❑ **Technical Analysis**

- Analysis of Historical Market Data i.e., Price & Volume

- Develop Strategies based on price action

- Current trend will continue or not?

Analysing Stock

| Basis of Analysis	Fundamental Analysis	Technical Analysis
Focus	Analyzes the intrinsic value of a security based on economic, financial, and other qualitative and quantitative factors.	Analyzes price and volume data to identify trends and patterns and predict future price movements.
Methodology	Examines financial statements, company news and events, macroeconomic indicators, industry trends, and management quality.	Uses charts, graphs, and technical indicators to study historical price and volume data, patterns, and trends.
Time Horizon	Long-term investment horizon, typically years.	Short to medium-term trading horizon, typically days to weeks.
Goal	To determine the fair value of a security and whether it is overvalued or undervalued.	To identify buying and selling opportunities based on price movements and trends.
Applicability	Suitable for investors looking to hold a security for a long period and are interested in the company's fundamentals.	Suitable for traders looking to profit from short-term price movements based on technical analysis.
Limitations	Factors such as unexpected events, regulatory changes, or company-specific risks can impact the fundamental outlook.	Technical analysis is based on historical data and cannot predict future events that may impact price.
Examples	Examining a company's financial statements, industry trends, and management quality to determine the intrinsic value of its stock.	Using moving averages, trendlines, and chart patterns to predict future price movements of a stock.

Fundamental Analysis – Top Down Approach

Economy Analysis

Industry Analysis

Company Analysis
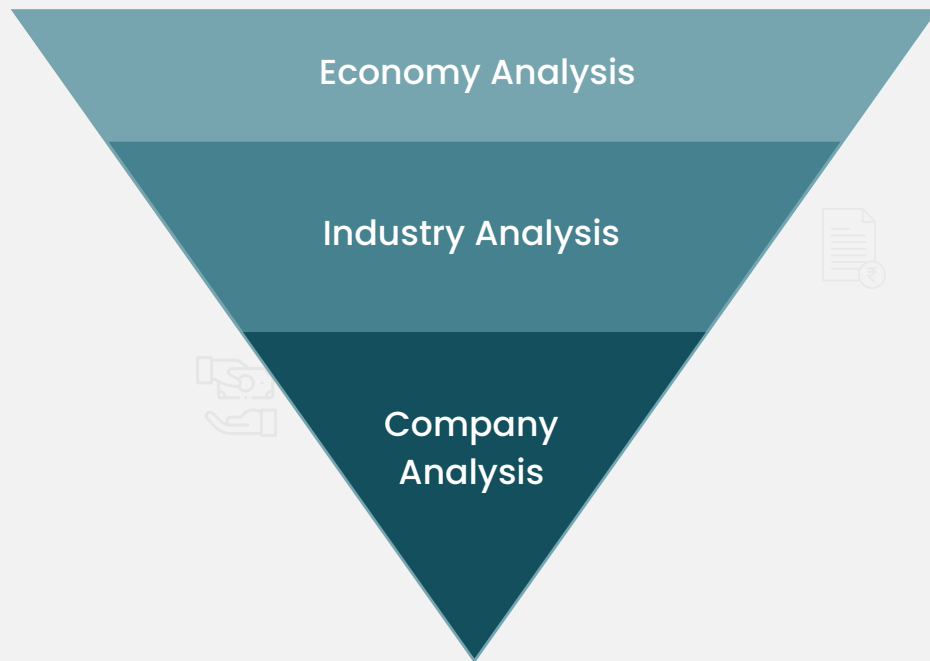
Economy Analysis

❑ **Economy Analysis**

- Gross Domestic Product (GDP): GDP is the total value of goods and services produced in the economy. A stable and rising growth rate makes an economy attractive

- Inflation & Interest Rates: When the inflation is high, it reduces the purchasing power of the consumer and thereby reducing revenue for companies. To control high inflation, RBI increases interest rates and thereby increasing the cost of capital for the companies

- Economic & Political Stability: Higher political stability gives more confidence to investors about the economic policies of the country

3 Pillars of Fundamental Analysis

- Economic Analysis
- Industry Analysis
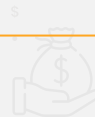- Company Analysis
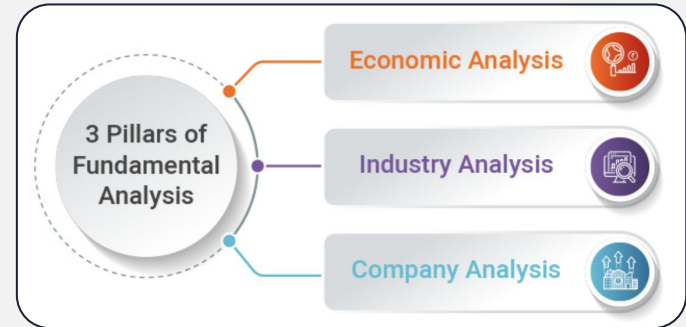
Industry Analysis

- Understand Total Addressable Market (TAM) of the Industry & project future growth as well

- Past growth patterns, growth pattern and analysing news, developments and innovations around the industry

- Identifying government regulations and attitude towards the industry

- Understanding the leading players and the competitive strengths they possess and the barriers for new entrants

- Changing demographics & demands of the economy which are good or bad for the industry
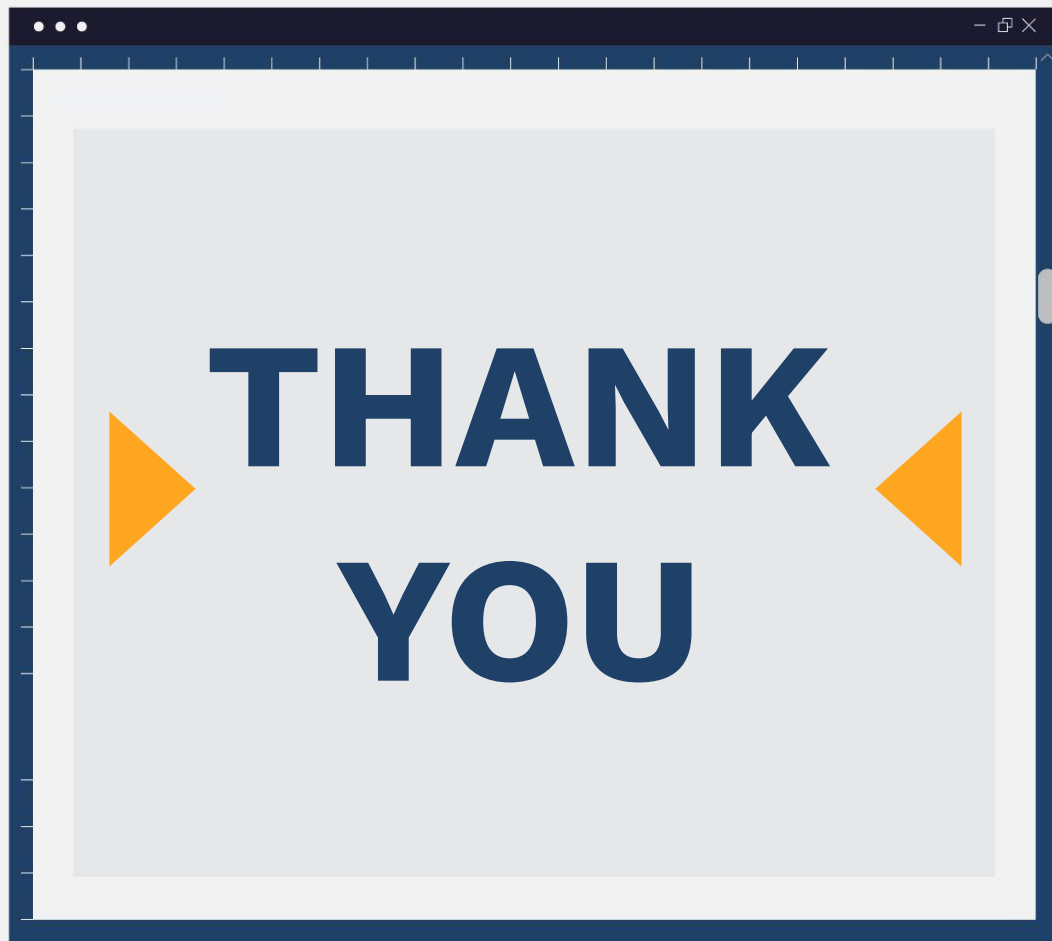
Company Analysis

- Reading an Annual Reports

- Reading Quarterly financial statements and corporate announcements

- Reading annual financial statements and notes to accounts

- Promoter & Forensic Analysis

- Ratios Analysis

- Understanding competitive strength of the company

- Valuation