

# **CHAPTER ONE: INTRODUCTION**

## **1.1 BACKGROUND THEORY**

Stock Marketing is a vast scene that can yield substantial amount of benefit if done correctly. The goal is to invest in a stock that can give a profitable outcome in a certain duration of time. Stock Market prediction and analysis is the act of trying to determine the future value of a stock or any other financial instrument traded on an exchange. It is an important part of the economy and plays a vital role in the growth of the industry and commerce of the nation. A large variety of people (investors and industry) are involved in the stock market and always want to get a value for their money on both sides. The stock market is the primary source for any company to raise funds for business expansions and potential investors to place their capital to yield a profitable turnout.

The Nepal Stock Exchange Limited (NEPSE) is the only Stock Exchange of Nepal; with the objective to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries etc. It was established under the company act, operating under securities exchange act, 1983 and opened its trading floor on 13<sup>th</sup> January 1994.

As Stock Market is an ever-changing process and due to the involvement of a large number of companies with large set of data, it becomes very difficult to extract information and analyze their trend of work manually. Through our project, we tend to analyze and predict the patterns of the stock market which will help the potential investors to invest their funds in a reliable stock. This is done using the data of the stock market of the previous years to represent varying conditions and the statistics related to the marketing scene in a given time series to get the most profitable trade present at the moment.

## **1.2 PROBLEM STATEMENT**

Stock Market has a very large prospect with the rise and fall of stock taking place at every stretch. It may be considered too uncertain to predict the value of stock due to huge fluctuations of the market. Predicting the stock market is not a simple task, mainly as a consequence of the randomness of a stock time series.

Timing is the most important factor when it comes to investing in a stock. Investing in a good stock, but at a bad time can have disastrous result, while investing in a stock at the right time yields a large profit. It is a major issue for financial investors of today to invest in a stock that is going to be worthwhile. So, this project will help the investors to have a detailed analysis of the ongoing stock marketing scene; improving their chances of investing in a profitable stock.

## **1.3 OBJECTIVES**

The aims of this project are as follows:

- Identifying the factors affecting the change in stock.
- To provide a reliable analysis about stock to the user.
- To recognize a pattern in the stock market for financial investors to invest in the long-term as well as the short-term stocks.
- To help investors make a reliable and profitable decision in share market.

## **1.4 SCOPE OF THE PROJECT**

This project facilitates people to acknowledge themselves in the current stock marketing scene of Nepal. It also provides a platform for people who are unfamiliar with the current stock market but are looking to invest their funds in a reliable industry which can yield a substantial benefit.

The main feature of this project is to generate an approximate forecasting output and create a general idea for future values based on previous data by generating a

pattern where the scope of the project does not exceed more than a generalized suggestion tool.

## **1.5APPLICATIONS**

The primary application of this project is to bridge communication between potential financial investors and different industries. The aim of the project is to help the investors make a rational and profitable decision through careful analysis of various data that is readily available to them. Moreover, the major application of this project is to assist people make swift, dependable and useful decision so that their investment produces a profitable outcome in Stock Market.