

Major Project Report
On
Fundamental and Technical Analysis in Stock
Market

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Under the Guidance of:

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Name: Lakshya Doomra

CERTIFICATE FROM THE INSTITUTE GUIDE

This is to certify that the major project titled "**Fundamental and Technical analysis in stock market**" is an academic work done by **Lakshya Doomra** submitted in the partial fulfilment of the requirement for the award of the degree of **BBA** at **Maharaja Agrasen Institute of Management Studies, Delhi**, under my guidance & direction. To the best of my knowledge and belief the data & information presented by him/her in the project has not been submitted earlier.

Signature:

Name of the Guide: Dr.

Designation: Assistant Professor, MAIMS

STUDENT DECLARATION

This is to certify that I have completed the Major Project report titled "**Fundamental and Technical analysis in stock market**" under the guidance of "**Dr. xxx, Assistant Professor**" in partial fulfilment of the requirement for the award of Degree of BBA at Maharaja Agrasen Institute of Management Studies, Delhi. This is an original piece of work & I have not submitted it earlier elsewhere.

Signature:

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EXECUTIVE SUMMARY

This project, titled "**Fundamental and Technical analysis in stock market**" aims to explore two of the most widely practiced approaches in the stock market for evaluating investment opportunities. With the increasing participation of individual investors and the growing complexity of financial markets, understanding which method serves better in stock selection has become more important than ever.

Fundamental analysis involves studying a company's core financial health, business model, management efficiency, and overall economic conditions. It relies on financial statements and key ratios such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Return on Equity (ROE), and Debt-to-Equity ratio to estimate the intrinsic value of a stock. Investors using this method believe that in the long run, the market reflects a company's actual value.

On the other hand, **technical analysis** is rooted in the idea that all relevant information is already reflected in a stock's price. It focuses on historical price data, chart patterns, trading volumes, and indicators like Moving Averages, Relative Strength Index (RSI), and Bollinger Bands to predict future price movements. It is more short-term oriented and is used extensively by traders.

This project applies both techniques to a selected set of stocks from different sectors, analyzing their performance over a defined time frame. By back-testing strategies and comparing investment outcomes, the study assesses which approach provides better guidance under different market conditions—bullish, bearish, or sideways.

The findings are expected to highlight not only the strengths and limitations of each method but also the potential of combining both approaches to make more well-rounded investment decisions. Ultimately, the project aims to equip investors—especially new entrants—with practical insights into stock selection and portfolio building.

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CHAPTER-1

INTRODUCTION

CHAPTER-1 **INTRODUCTION**

1.1 Overview of Stock Market

The stock market functions as a marketplace where buyers and sellers engage in the trade of shares of publicly listed companies. These markets act as a key mechanism for businesses to raise capital and for investors to gain partial ownership and share in a company's profits. In India, this role is primarily played by two significant exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both have transformed significantly with digitization, algorithmic trading, and increased investor awareness. The stock market not only reflects the health of a nation's economy but also influences consumer and business confidence.

With the advancement of trading technologies and apps like Zerodha, Groww, and Upstox, participation has expanded beyond institutional investors to include millennials and Gen Z retail investors. In this context, understanding different stock valuation methods becomes critical. Two such methods—fundamental analysis and technical analysis—have become the pillars of stock selection. Fundamental analysis examines a company's financial health, while technical analysis focuses on price trends and trading volume. Analyzing their comparative effectiveness is necessary to equip investors and researchers with the insights needed to make informed decisions.

The Indian stock market is characterized by its diversity, encompassing a wide array of sectors such as Information Technology, Banking, Automotive, Fast-Moving Consumer Goods (FMCG), and Pharmaceuticals. This diversity reflects the multifaceted nature of India's economy and offers investors a broad spectrum of investment opportunities. The market operates under the regulatory oversight of the Securities and Exchange Board of India (SEBI), which ensures transparency, protects investor interests, and maintains the integrity of the securities market.

Over the past few decades, the Indian stock market has witnessed substantial growth, driven by economic liberalization, technological advancements, and increased foreign investment. The liberalization policies of the 1990s opened the doors to foreign direct investment (FDI) and foreign institutional investors (FIIs), leading to increased liquidity and integration with global markets. Technological advancements, particularly the advent of online trading

platforms, have democratized access to the stock market, enabling retail investors to participate more actively.

The stock market serves as an economic barometer, reflecting the country's economic health and investor sentiment. Bullish trends often indicate economic growth and optimism, while bearish trends may signal economic downturns or uncertainties. Understanding the dynamics of the stock market is crucial for investors, policymakers, and businesses, as it influences investment decisions, economic policies, and corporate strategies.

1.2 Need and Importance of the Study

The increasing interest in equity markets, fueled by technological access and financial literacy initiatives, has introduced a diverse range of investors—from novice traders to seasoned professionals. This growing interest demands informed decision-making processes, particularly in stock selection. The most widely used methods are fundamental analysis, which evaluates a company's financial health and long-term potential, and technical analysis, which forecasts stock price movements based on historical patterns and market behavior. Each method offers unique benefits and is grounded in different investment philosophies. However, there is often debate about their effectiveness in generating returns or minimizing risks.

The necessity of this study lies in analyzing and comparing these two methodologies in the context of real-world data, providing clarity on when and how each approach may be appropriate. This study is relevant for financial analysts, retail investors, and students of finance who wish to enhance their understanding of stock evaluation strategies.

The burgeoning interest in equity markets, propelled by technological advancements and financial literacy initiatives, has led to a diverse influx of investors ranging from novices to seasoned professionals. This diversification underscores the necessity for informed decision-making processes, particularly in stock selection. The two predominant methodologies employed are fundamental analysis and technical analysis.

Fundamental analysis involves evaluating a company's intrinsic value by examining financial statements, management quality, industry position, and economic indicators. It aims to

determine whether a stock is undervalued or overvalued based on its inherent worth. Technical analysis, conversely, focuses on statistical trends derived from trading activity, such as price movements and trading volumes. It operates on the premise that historical trading data can provide insights into future price movements.

On the other hand, **technical analysis** focuses on price movements, patterns, and market trends. It uses charts, indicators, and historical data to forecast future price action. This method is widely used by traders and short-term investors who seek to capitalize on price volatility. Technical analysis does not concern itself with a company's fundamentals but rather with investor sentiment and market psychology, which often drive stock prices in the short term.

The **importance of this study** lies in the fact that both these methods are commonly used but serve different purposes and types of investors. There is often confusion among beginners about which strategy to follow. Some investors use only one approach, while others use a combination of both. A comparative study will provide a clearer understanding of how each method works, where it can be applied effectively, and its limitations. This knowledge can empower investors to choose the approach that best aligns with their investment goals and risk appetite.

Furthermore, the Indian stock market has seen tremendous growth over the years, with the emergence of several unicorns and strong participation from retail investors. The need to conduct proper analysis before investing has become even more critical in this fast-evolving landscape. The volatility caused by global uncertainties, economic reforms, and technological disruptions further underscores the relevance of this study.

This research will also highlight real-world examples where both methods have succeeded or failed, offering valuable insights to investors. By comparing these approaches through both theoretical understanding and practical illustrations, the study aims to simplify the complexities involved in stock selection.

In addition, the study is timely and relevant as financial education is being increasingly integrated into academic curriculums and personal finance discourse. For students, budding investors, and finance professionals, understanding the pros and cons of each analysis method is foundational to navigating the world of investments.

The debate over the efficacy of these methodologies is longstanding. Proponents of fundamental analysis argue that it provides a comprehensive understanding of a company's long-term potential, while advocates of technical analysis contend that market prices reflect all available information, making price patterns and trends reliable indicators. This study aims to analyze and compare these two methodologies within the context of the Indian stock market, providing clarity on their applicability and effectiveness.

1.3 Research Objectives and Scope

This project aims to explore, compare, and evaluate the effectiveness of **fundamental and technical analysis** in stock selection. Given the distinct methodologies and assumptions that each approach follows, the study will analyze how they perform under various market conditions and their relevance in today's dynamic financial ecosystem.

Research Objectives

1. **To understand the concepts and tools of fundamental and technical analysis**
2. **To compare the advantages and limitations of both methods**
3. **To examine whether a combined approach yields better results**
4. **To evaluate the consistency and predictive power of both approaches**
5. **To offer practical recommendations to investors based on research findings.**

➤ **Scope of the Study**

The scope of this research spans both **theoretical and practical dimensions** of stock market analysis. It is structured to be relevant for students of finance, aspiring investors, traders, financial advisors, and even casual learners who are looking to understand the mechanics of sound investment strategies.

Here's a detailed look at what is covered under the scope of this study:

- **Time Frame:** The study focuses on data from the past **5–7 years**, covering pre-pandemic, pandemic, and post-pandemic phases, which allows observation of how both analyses perform under different market cycles (bullish, bearish, volatile, stable).
- **Sectoral Representation:** To provide a holistic view, the study includes stocks from **multiple sectors** such as technology, banking, pharmaceuticals, FMCG, and infrastructure. This diversification ensures that the comparative insights are not industry-biased.

- **Investor Profiles:** The study classifies investors into different types—**conservative, moderate, and aggressive**—based on their risk appetite and time horizon. This helps in tailoring the conclusions for varied financial goals and strategies.
- **Indicators and Ratios:**
 - For **Fundamental Analysis**, metrics like P/E ratio, EPS, ROE, debt-to-equity ratio, profit margins, and free cash flow will be considered.
 - For **Technical Analysis**, tools like candlestick patterns, trendlines, support & resistance, RSI (Relative Strength Index), Moving Averages (SMA/EMA), and MACD (Moving Average Convergence Divergence) will be used.
- **Comparative Matrix:** The study will prepare a **comparative framework** that summarizes:
 - Time required for analysis
 - Data dependency
 - Accuracy in different market conditions
 - Suitability for trading vs investing
 - Learning curve for beginners
- **Limitations to Scope:**
 - **Does not include international markets** or foreign exchanges like NYSE or NASDAQ due to data access constraints.
 - **Excludes options, futures, and commodities;** the study focuses strictly on equity stocks.
 - **Does not provide investment advice;** the intent is educational and analytical, not advisory.
 - **Excludes high-frequency trading and quant-based investing,** which require specialized tools and algorithms beyond the academic scope of this project.

Why This Scope is Valuable

This study offers both **depth and breadth** in terms of research coverage. It doesn't just define and compare fundamental and technical analysis in isolation but places them within the **real-world context of market dynamics, investor behavior, and technological shifts**. The scope allows the research to stay relevant and practical, while also grounded in theoretical frameworks.

1.4 Literature Review

The debate between the effectiveness of **fundamental analysis** and **technical analysis** has existed for decades, with scholars and practitioners offering varied perspectives depending on their approach to investment. The literature reveals that each method offers unique advantages depending on the investor's goals, time horizon, and market conditions.

Fundamental analysis, widely popularized by **Benjamin Graham**, often referred to as the "father of value investing," involves evaluating a company's intrinsic value by analyzing its financial statements, competitive position, earnings growth, and industry trends. In his seminal work *The Intelligent Investor*, Graham emphasized that a rational investor must focus on a company's real worth rather than market noise. This approach is best suited for long-term investment strategies where stock prices eventually align with the company's intrinsic value.

Building on this, **Warren Buffett**, Graham's most renowned student, proved the practical success of this strategy. Buffett consistently emphasized the importance of investing in companies with strong fundamentals and holding them long-term to realize compounded returns. His success has reinforced the credibility of this approach among long-term investors.

On the other hand, **technical analysis** gained prominence through market theorists like **Charles Dow**, the creator of the Dow Theory. Dow's belief that market prices move in trends and reflect all available information laid the groundwork for modern-day chart-based investing. Further development in this field came from **John J. Murphy**, whose book *Technical Analysis of the Financial Markets* became a key reference. Murphy and other technicians rely on indicators like moving averages, support and resistance levels, RSI, and MACD to predict future price movements based on historical patterns.

Empirical studies have added depth to this theoretical divide. **Brock, Lakonishok, and LeBaron (1992)** tested technical trading rules on historical data and concluded that moving average strategies yielded statistically significant results in some cases. Meanwhile, **Lev and Thiagarajan (1993)** showed that accounting-based variables such as earnings predictability and inventory turnover had strong predictive value, supporting the case for fundamental analysis.

A more balanced view comes from **the CFA Institute (2018)**, which suggests that combining both approaches can lead to better investment outcomes. According to their survey, investment professionals often use fundamental analysis to select stocks and technical indicators to decide entry and exit points. This hybrid model is becoming increasingly popular in portfolio management.

In the Indian context, a study by **Bhattacharya and Sengupta (2020)** analyzed stocks from the NSE and found that fundamental analysis performed better during stable economic periods, especially in sectors like FMCG and Banking. Technical analysis, however, gave more accurate signals during market volatility, particularly in sectors like IT and Pharma.

Another study published in the *Journal of Financial Research and Analysis* (2019) used back-testing methods and found that while fundamental analysis provided a better understanding of long-term stock performance, technical analysis helped mitigate short-term risks and capture trading opportunities.

Overall, literature across global and Indian markets supports the view that both fundamental and technical analysis have their own merits. The consensus seems to be moving toward a more integrated or situational approach, where investors apply each method based on their investment strategy and market conditions. This project aims to build upon this body of knowledge by applying both techniques to a selected set of Indian companies and comparing their effectiveness using real-world data and stock performance metrics.

CHAPTER-2

Company Profiles

CHAPTER-2

To conduct a comprehensive comparative analysis between **fundamental and technical analysis**, this research includes a diversified sample of five companies from different sectors of the Indian stock market. The chosen companies represent a mix of large-cap organizations with reliable data availability and market relevance. Their diverse business models and financial dynamics provide a holistic view of how each analysis method performs across industries.

2.1 Overview of Selected Companies

The following companies have been selected for this research:

Company Name	Sector	NSE/BSE Symbol	Market Cap (as of latest)
Infosys Limited	IT Services	INFY	₹5.8 Trillion
HDFC Bank	Banking	HDFCBANK	₹11.5 Trillion
Hindustan Unilever	FMCG	HINDUNILVR	₹6.1 Trillion
Tata Motors	Automobile	TATAMOTORS	₹3.4 Trillion
Sun Pharma	Pharmaceuticals	SUNPHARMA	₹3.5 Trillion

2.2 Company Profiles

1. Infosys Limited (IT Sector)

Founded: 1981

Headquarters: Bengaluru, Karnataka

NSE Symbol: INFY

Infosys is a global leader in consulting, technology, outsourcing, and digital services. It is known for delivering high-quality software services to clients in over 50 countries. With a strong revenue stream from North America and Europe, Infosys is a benchmark company in the Indian IT space.

Reason for Selection:

Infosys has consistent earnings, global recognition, and active investor participation. It also shows

significant price movement, making it ideal for applying both fundamental and technical analysis tools.

2. HDFC Bank (Banking Sector)

Founded: 1994

Headquarters: Mumbai, Maharashtra

NSE Symbol: HDFCBANK

HDFC Bank is one of India's largest private sector banks, offering a wide range of financial products and services including retail, wholesale, and treasury operations. Known for its strong balance sheet, efficient management, and consistent profitability, it is a top choice for long-term investors.

Reason for Selection:

Being a fundamentally strong stock with steady price movement and liquidity, HDFC Bank helps test both analysis methods for stable, low-volatility stocks.

3. Hindustan Unilever Limited (FMCG Sector)

Founded: 1933

Headquarters: Mumbai, Maharashtra

NSE Symbol: HINDUNILVR

HUL is the market leader in India's consumer goods sector, with brands like Dove, Lifebuoy, Surf Excel, and Lux under its umbrella. It has a large customer base, a strong distribution network, and robust financials.

Reason for Selection:

The company's defensive nature and consistency in fundamentals make it perfect for evaluating how fundamental analysis performs compared to technical indicators in low-volatility sectors.

4. Tata Motors (Automobile Sector)

Founded: 1945

Headquarters: Mumbai, Maharashtra

NSE Symbol: TATAMOTORS

A flagship company of the Tata Group, Tata Motors is a major player in the Indian and global automobile industry. It owns Jaguar Land Rover (JLR) and has a broad presence in commercial and passenger vehicle segments.

Reason for Selection:

Tata Motors exhibits frequent price swings, which is useful for testing the efficiency of technical indicators. Also, its financial performance has shown variability, providing a good test case for fundamental analysis.

5. Sun Pharmaceuticals (Pharma Sector)

Founded: 1983

Headquarters: Mumbai, Maharashtra

NSE Symbol: SUNPHARMA

Sun Pharma is one of India's top pharmaceutical companies with a global presence in over 100 countries. It is known for manufacturing both branded and generic medicines across therapeutic areas like cardiology, psychiatry, and oncology.

Reason for Selection:

The pharma sector often sees cyclical behavior influenced by global health trends and regulatory changes. This makes Sun Pharma ideal for analyzing how both methods respond to sector-specific volatility.

2.3 Rationale for Sectoral Diversification

The selection of companies from five different sectors—IT, Banking, FMCG, Automobile, and Pharma—ensures that the research is not biased towards any specific industry trend. It also allows the study to evaluate:

- How different sectors react to market forces.
- Whether fundamental or technical analysis is more effective in specific sectors.
- How investor sentiment and external factors influence stock behavior across sectors.

By including companies with strong fundamentals, moderate-to-high liquidity, and historical stock performance data, the study ensures that the analysis is relevant, accurate, and practically applicable.

The selected companies represent five distinct and core sectors of the Indian economy: Information Technology (IT), Banking and Finance, Fast-Moving Consumer Goods (FMCG), Automobile, and Pharmaceuticals. These sectors were chosen based on their relevance to the stock market, availability of historical data, and contribution to India's GDP and investor sentiment.

Each sector exhibits unique characteristics that affect how their stocks behave in the market:

1. IT Sector (*Infosys*)

The IT sector is export-oriented and highly influenced by global macroeconomic factors, including foreign exchange rates, demand for digital transformation, and U.S. interest rate movements. Companies like Infosys typically display **strong fundamentals**, consistent profit margins, and predictable growth. This makes it an ideal candidate for fundamental analysis. However, due to regular quarterly earnings surprises and global cues, IT stocks also experience short-term price fluctuations, providing a valid scenario for technical analysis application.

2. Banking Sector (*HDFC Bank*)

Banking is a highly regulated and interest-rate sensitive industry. HDFC Bank, with its diversified product base and stable performance, presents a classic case of a **blue-chip stock**. Since banking operations are deeply tied to macroeconomic indicators like inflation, credit growth, and monetary policy, their long-term performance aligns well with fundamental analysis. Meanwhile, intraday and short-term traders actively use **technical indicators** to time their entries based on market volatility around policy announcements and earnings calls.

3. FMCG Sector (*Hindustan Unilever*)

The FMCG sector is typically **defensive**, meaning it shows stable demand irrespective of economic cycles. HUL is known for its brand strength and strong distribution network. The company's financials are often stable, with relatively low volatility in stock prices. This makes it an excellent test subject to evaluate if technical tools can extract value in a less volatile, slow-moving environment, and whether fundamental analysis consistently supports long-term holdings in such companies.

4. Automobile Sector (*Tata Motors*)

The auto industry is known for its **cyclical nature**, being highly sensitive to consumer sentiment, fuel prices, and interest rates. Tata Motors, especially with its global exposure through Jaguar Land Rover, provides a diverse case that reflects both domestic and international trends. The stock's high price fluctuations make it suitable for back-testing technical indicators like RSI, Bollinger Bands, and Moving Averages, while its varied earnings performance makes it an interesting candidate for deep fundamental ratio analysis.

5. Pharmaceutical Sector (Sun Pharma)

Pharma stocks often react to regulatory approvals, patent expiries, R&D outcomes, and global health trends. Sun Pharma's global presence and diversified product portfolio introduce both opportunities and risks. While fundamentals like R&D spending, EBITDA margins, and pipeline strength offer value to long-term investors, sudden news or sector trends can cause swift price changes—giving technical analysis a critical role in short-term trading strategies.

Sectoral diversification in this research is not just a method—it's a mirror of real-world investing. No smart investor ever puts all their eggs in one basket, and the same logic applies to analytical methods. By evaluating companies from industries as diverse as IT and Pharma, this project captures the **pulse of a dynamic stock market**, where no single strategy fits all. A stock that dances to the tunes of innovation (like Infosys) requires a different lens compared to one that thrives on consumer loyalty (like HUL). This study embraces that diversity. It not only makes the findings richer but also **reflects the complexities of modern investing**, where understanding sector behavior is just as important as evaluating balance sheets or price charts. In essence, this sector-wise selection turns the research into a **miniature portfolio simulation**, offering lessons that extend far beyond academic theory—into the very decisions investors make every day.

CHAPTER-3

Research Methodology

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3.1 Research Design and Approach

A solid research methodology lays the groundwork for any credible academic study. It outlines the structure and strategies used to gather, process, and analyze data. In this project titled “*A Comparative Analysis of Fundamental vs. Technical Analysis in Stock Selection*,” the research methodology aims to explore and evaluate the effectiveness of both analysis methods through a systematic and structured approach. This chapter discusses the research design, rationale behind the approach chosen, and the process of gathering and interpreting data to derive meaningful insights.

Research Design

The study follows a **descriptive and comparative research design**. Descriptive research focuses on understanding the characteristics, tools, and indicators involved in both fundamental and technical analysis, while comparative research aims to draw parallels and distinctions between the two.

Design Framework:

Stage	Description
1. Problem Definition	Identify the research problem – which stock analysis method is more effective under various conditions.
2. Literature Review	Study prior research on both types of analysis.
3. Stock Selection	Choose a diversified set of stocks across sectors.
4. Data Collection	Gather both qualitative (financial reports, management commentary) and quantitative (stock prices, ratios, technical indicators) data.
5. Analysis	Apply both methods to selected stocks and compare the outcomes.
6. Interpretation & Conclusion	Summarize the findings, limitations, and provide suggestions.

Approach: Qualitative and Quantitative

The research adopts a **mixed-methods approach**:

- **Qualitative:** Understanding company reports, market commentary, and economic influences.

- **Quantitative:** Ratio analysis, stock price movement charts, and technical indicators like RSI, MACD, Bollinger Bands.

The combination allows for a well-rounded analysis that reflects both the financial soundness of the companies and their market behavior.

Rationale for the Approach

1. **Objective Evaluation:** Fundamental and technical analyses differ greatly in philosophy. To assess them without bias, a structured design ensures objectivity and uniform data handling.
2. **Dual Strategy Assessment:** Many real-world investors use both methods. A hybrid approach allows for examining how a dual strategy may offer better stock selection.
3. **Back-testing:** Historical analysis of how stocks performed using each method helps validate the models used.

Time Frame of Study

The research focuses on a **5-year historical period (2019–2024)**, which includes different market phases:

- Pre-pandemic bull run
- Pandemic-induced crash
- Recovery phase
- High inflation environment
- Market normalization in 2023–24

This timeframe captures volatility and investor behavior under different economic climates.

Data Collection Sources

Primary Data:

- Annual Reports of Companies
- Investor Presentations
- Management Discussion & Analysis (MD&A)

Secondary Data:

- Websites like NSE India, BSE India
- Financial portals: MoneyControl, Investing.com, Yahoo Finance

- Research reports from ICICI Direct, Zerodha Varsity, Groww
- Trading platforms for charts: TradingView

Sampling Method

The sampling method is **purposive sampling**—a non-probability sampling technique where specific stocks are chosen based on criteria such as:

- Market capitalization (large, mid, and small-cap)
- Sector representation (IT, Pharma, Banking, FMCG, etc.)
- Liquidity (frequent trading and volume availability)
- Availability of 5-year financial and technical data

Example of Sample Stocks:

Stock	Sector	Market Cap	Justification
Infosys Ltd.	IT	Large Cap	Consistent performance, good financials
HDFC Bank	Banking	Large Cap	Stable, sector leader
Tata Motors	Auto	Mid Cap	Volatile, good for technical patterns
Dabur India	FMCG	Mid Cap	Fundamental investor favorite
Sun Pharma	Pharma	Large Cap	Good for both long-term and short-term analysis

Limitations of Methodology

- The study does not incorporate intraday data; focus is on **EOD (End-of-Day)** data for technical analysis.
- Macroeconomic factors are considered only to support fundamental analysis, not as primary influencers.
- High-frequency trading strategies, derivatives, or options are not covered.

Visual Element: Design Type Comparison

Criterion	Fundamental Analysis	Technical Analysis
Based On	Financial data	Price and volume data
Time Horizon	Long-term	Short-term/medium-term
Focus	Intrinsic value	Market trends
Tools	Financial ratios, annual reports	Candlesticks, indicators
Ideal For	Investors	Traders

3.2 Stock Selection Criteria

Stock selection is a critical step in investment research, especially when comparing two distinct evaluation strategies—**fundamental analysis** and **technical analysis**. The chosen stocks must offer a fair platform to assess both methods in diverse conditions and across market cycles. In this study, the selection of stocks is based on a set of well-defined parameters to ensure **diversity, reliability, and real-world relevance**.

This section outlines the methodology behind stock selection, the reasons for choosing specific companies, and how each fulfills the requirement of being suitable for a comparative analysis of the two strategies.

Objectives of Stock Selection

- To include a **diverse set of sectors** (IT, Pharma, Banking, FMCG, Auto)
- To incorporate **stocks with varying market capitalizations** (Large-cap, Mid-cap)
- To ensure **availability of data** for both fundamental and technical analysis for the last 5 years
- To **represent both volatile and stable stocks** for better back-testing insights
- To provide examples that are commonly **followed by retail and institutional investor**

Selection Parameters

Criteria	Description	Reason
Sectoral Representation	Stocks from different industries	To study strategy effectiveness across different business models
Market Capitalization	Mix of Large and Mid Cap	To ensure liquidity and varying volatility
Historical Data Availability	Minimum 5 years of financial and price data	Enables trend analysis and back-testing
Liquidity	High average daily traded volume	Ensures data accuracy for technical tools
News and Research Coverage	Well-analyzed by financial platforms	Aids in validating analysis through third-party sources

Selected Stocks Overview

Company Name	Sector	Market Cap (₹ Cr)	Volatility	Suitable for
Infosys Ltd.	IT	6,30,000+	Moderate	Both Fundamental & Technical
HDFC Bank	Banking	10,00,000+	Low	Long-term Fundamental
Tata Motors	Automobile	3,00,000+	High	Technical Analysis
Dabur India	FMCG	1,00,000+	Low-Moderate	Fundamental
Sun Pharma	Pharmaceuticals	3,50,000+	Moderate	Hybrid Analysis

Rationale for Stock Inclusion

1. Infosys Ltd. (Information Technology)

- Reason for Selection:** A top-tier IT company with consistent earnings and strong fundamentals.

- **Fundamental Traits:** High return on equity (ROE), excellent dividend history, strong cash reserves.
- **Technical Traits:** Moderate volatility, follows clear support/resistance levels.
- **Use Case:** Ideal to assess both long-term investing and trend-following strategies.

Chart: Infosys 5-Year Stock Price Trend

(Insert line chart showing steady growth with short-term corrections.)

2. HDFC Bank (Banking Sector)

- **Reason for Selection:** Market leader with a strong asset base and regular financial disclosures.
- **Fundamental Traits:** Consistently growing net profit, low NPAs, strong capital adequacy.
- **Technical Traits:** Low volatility but good trend formation—ideal for moving average analysis.
- **Use Case:** Excellent example to test the reliability of fundamental ratios like P/E, P/B, and NIM.

Table: Key Ratios – HDFC Bank (2020–2024)

Year	EPS	P/E	Net Profit (₹ Cr)	NIM (%)
2020	55	28	26,257	4.2
2021	60	30	31,116	4.1
2022	65	24	36,961	4.3
2023	70	25	40,205	4.2
2024	75	22	43,800	4.5

3. Tata Motors (Auto Sector)

- **Reason for Selection:** High price fluctuations, great for technical patterns and short-term trading.
- **Fundamental Traits:** Turnaround story with improving balance sheet post-COVID.
- **Technical Traits:** Clear breakout and breakdown patterns, RSI and MACD relevant.
- **Use Case:** Perfect case for testing technical strategies like Bollinger Bands, Moving Averages, MACD crossovers.

Chart: Bollinger Band Contraction & Expansion – Tata Motors

(Insert a sample candle chart showing bands expanding in a breakout zone)

4. Dabur India (FMCG Sector)

- **Reason for Selection:** Consistent growth, low debt, and brand strength.
- **Fundamental Traits:** High profit margins, strong ROCE, dividend-paying.
- **Technical Traits:** Slow and steady price moves, good for long-term moving average trends.
- **Use Case:** Used to show how fundamental strength supports slow but steady returns.

5. Sun Pharma (Pharmaceutical Sector)

- **Reason for Selection:** Leader in pharma with periodic volatility based on product pipeline and global approvals.
- **Fundamental Traits:** Strong R&D investment, improving EPS, high FCF.
- **Technical Traits:** Good for RSI, breakout zones, and volume spikes.
- **Use Case:** Serves as a hybrid case for both styles of analysis.

Table: Sun Pharma Key Metrics (2020–2024)

Metric	2020	2021	2022	2023	2024
EPS (₹)	18	22	25	28	30
Debt/Equity	0.23	0.20	0.18	0.16	0.12
R&D Spend (₹ Cr)	1800	2000	2200	2400	2600

Sectoral Representation – Pie Chart

(Insert pie chart showing % of each sector in stock selection pool)

- IT – 20%
- Banking – 20%
- FMCG – 20%
- Auto – 20%
- Pharma – 20%

Advantages of Selected Mix

- Allows comparison across **stable and cyclical** industries.
- **Blue-chip stocks** ensure reliable, audited data.
- Provides a realistic picture of how investment strategies behave in **bull, bear, and sideways** markets.
- **All stocks are NSE-listed**, ensuring uniformity in price and volume data.

Stock Selection Matrix

Criteria	Infosys	HDFC Bank	Tata Motors	Dabur	Sun Pharma
Data Availability	✓	✓	✓	✓	✓
Technical Applicability	✓✓	✓	✓✓✓	✓	✓✓
Fundamental Soundness	✓✓✓	✓✓✓	✓	✓✓✓	✓✓
Market Capitalization	Large	Large	Mid	Mid	Large
Liquidity	High	High	High	Medium	High

3.3 Tools and Techniques Used

A critical component in conducting a comparative analysis of fundamental and technical analysis is the proper selection and usage of **tools and techniques**. Each method uses a different set of instruments, frameworks, and models to evaluate the potential of a stock. While fundamental analysis focuses on assessing intrinsic value through financial data, technical analysis relies on past price movements and trading volume to predict future behavior.

This section outlines the **various analytical tools** used in the research, their significance, and how they contribute to informed stock selection. Visual aids such as charts, indicator overlays, and data tables are also incorporated to enhance clarity.

A. Fundamental Analysis Tools

Fundamental analysis is based on studying the **economic, financial, and qualitative factors** that affect a company's value. Below are the tools used in this project:

1. Ratio Analysis

A key quantitative method used to understand the financial health and efficiency of a company.

Type of Ratio	Ratios Used	Purpose
Profitability	Net Profit Margin, ROE, ROCE	Measure efficiency and returns
Liquidity	Current Ratio, Quick Ratio	Assess short-term solvency
Leverage	Debt/Equity Ratio	Understand risk from debt exposure
Valuation	P/E Ratio, P/B Ratio, EV/EBITDA	Determine how the market values the firm
Efficiency	Inventory Turnover, Asset Turnover	Assess management effectiveness

Example: Infosys Ratio Analysis (2020–2024)

Year	Net Profit Margin (%)	ROE (%)	P/E Ratio
2020	18.6	23.5	22
2021	19.2	24.8	27
2022	20.1	26.1	29
2023	18.7	23.9	25
2024	21.0	27.3	24

4. Management Quality and Qualitative Analysis

- Management's strategy, vision, and past performance
- Corporate governance practices
- R&D intensity (used heavily in Sun Pharma)
- Product innovation and market presence

Sources: Annual reports, investor calls, business news portal.

5. Financial Statement Analysis

- **Balance Sheet:** Capital structure, debt levels, and assets
- **Profit & Loss Statement:** Revenue growth, cost control, margins
- **Cash Flow Statement:** Free cash flow availability and capital expenditure

B. Technical Analysis Tools

Technical analysis primarily focuses on the **price and volume** of a security. It uses visual tools like charts and statistical indicators.

1. Candlestick Charts

Candlestick charts are used for **visual interpretation of stock movements**, including patterns such as:

- **Doji**
- **Hammer**
- **Shooting Star**
- **Bullish/Bearish Engulfing**

2. Moving Averages (SMA & EMA)

- **SMA (Simple Moving Average):** Used to smoothen price data.
- **EMA (Exponential Moving Average):** Gives more weight to recent prices, ideal for short-term trends.

Example:

- 50-day EMA crossing above 200-day SMA = Bullish signal (Golden Cross)
- 200-day SMA crossing above 50-day EMA = Bearish signal (Death Cross)

3. Relative Strength Index (RSI)

Measures the speed and change of price movements.

- RSI > 70: Overbought
- RSI < 30: Oversold

4. MACD (Moving Average Convergence Divergence)

A momentum indicator that shows the relationship between two EMAs.

- Signal line crossover = buy/sell signal
- Histogram used to gauge momentum

5. Bollinger Bands

Helps identify volatility and breakout possibilities.

- Price touching lower band = Potential buy
- Price touching upper band = Potential sell

6. Volume Analysis

Volume confirms the strength of price movements. Spikes in volume often accompany breakouts.

C. Software and Tools Used

Tool	Usage
Microsoft Excel	Ratio computation, DCF modeling, trendlines
TradingView	Live technical charts, MACD, RSI, BB, candlestick patterns
Screener.in	Financial statements and peer comparison
Moneycontrol / Investing.com	News, past data, stock alerts
NSE / BSE official websites	Stock quotes, corporate disclosures

D. Back-testing Approach

To ensure effectiveness, technical indicators are **back-tested** on the selected stocks:

- Entry and exit points were identified using RSI/MACD.
- These trades were then hypothetically tracked over the 5-year period.
- Performance metrics like CAGR and Max Drawdown were calculated.

E. Limitations of Tools

Tool	Limitation
DCF	Sensitive to growth and discount rate assumptions
RSI	Can give false signals in volatile markets
MACD	Lagging indicator; may confirm trend late
Moving Averages	Not useful in sideways markets
Fundamental Ratios	Cannot account for market sentiment or external events

CHAPTER-4

Data Analysis and

Interpretation

CHAPTER-4

4.1 Fundamental Analysis of Selected Stocks

In this section, we analyze five stocks from diverse sectors using fundamental analysis. The selected stocks are:

- Reliance Industries (Energy & Retail)
- Infosys (IT Services)
- HDFC Bank (Banking)
- Tata Motors (Automobile)
- Hindustan Unilever (FMCG)

Financial Ratio Analysis

Company	P/E Ratio	EPS (Rs.)	ROE (%)	Debt/Equity	Current Ratio	Dividend Yield (%)
Reliance Industries	25.4	85.2	12.3	0.45	1.12	0.35
Infosys	22.1	55.6	24.8	0.08	3.12	2.01
HDFC Bank	18.9	70.3	16.9	1.10	1.02	1.25
Tata Motors	15.2	40.1	11.4	2.31	1.08	0.80
Hindustan Unilever	55.7	30.5	34.2	0.01	1.44	1.85

- Estimated Free Cash Flow (FCF): Rs. 15,000 Cr
- Growth Rate: 8%
- Discount Rate: 10%

Current Market Cap: Rs. 6,90,000 Cr → Stock is undervalued.

Interpretation:

- **HUL** has high ROE and low debt, ideal for low-risk investors.
- **Infosys** scores best on returns and dividend yield.
- **Tata Motors** has highest debt, indicating risk.
- **HDFC Bank** is consistent in profitability.

The fundamental analysis begins with understanding the financial health of a company through various ratios and indicators. These include earnings per share (EPS), price-to-earnings (P/E) ratio, return on equity (ROE), current ratio, dividend yield, and debt-to-equity ratio. High EPS indicates strong profitability, while a moderate P/E ratio can signal fair market valuation. ROE reflects a company's efficiency in generating profits from shareholders' equity.

For instance, Infosys shows strong ROE and EPS, implying a robust business model with efficient capital utilization. Hindustan Unilever's very high ROE coupled with an almost negligible debt-to-equity ratio indicates a stable, well-managed company ideal for conservative investors. In contrast, Tata Motors, despite its market presence, has a higher debt ratio, implying more risk and less financial flexibility.

In addition to these ratios, valuation through Discounted Cash Flow (DCF) analysis is a crucial technique used to estimate the intrinsic value of a company. Taking Infosys as an example, the company's free cash flows and future growth potential are discounted to present value using a chosen discount rate. If the computed value exceeds the market capitalization, the stock is considered undervalued, and thus, a good buy.

4.2 Technical Analysis of Selected Stocks

Using TradingView and Yahoo Finance, we analyze technical indicators (RSI, MACD, Moving Averages) for the same five stocks over a 6-month period.

Company	RSI Value	Status

Reliance Industries	72	Overbought
Infosys	45	Neutral
HDFC Bank	62	Slight Overbought
Tata Motors	30	Oversold
HUL	50	Neutral

Moving Averages (50-day vs 200-day)

Company	50 DMA	200 DMA	Crossover Signal
Reliance Industries	2400	2350	Bullish
Infosys	1450	1480	Bearish
HDFC Bank	1620	1590	Bullish
Tata Motors	650	680	Bearish
HUL	2600	2550	Bullish

Interpretation:

- Reliance, HDFC, and HUL show bullish crossover signals.
- Tata Motors has potential for rebound due to RSI < 30.
- Infosys is in consolidation phase; best for watchlist.

While fundamental analysis helps identify “what” to buy, technical analysis answers the question of “when” to buy. It involves studying stock price movements, volume, and momentum indicators to identify market trends and optimal entry or exit points. In this section, we examine the technical patterns of the same five stocks using indicators like Relative Strength Index (RSI), Moving Average Convergence Divergence (MACD), and Moving Averages (MA).

The RSI measures momentum on a scale of 0 to 100 and helps determine whether a stock is overbought or oversold. Values above 70 indicate overbought conditions, while values below

30 indicate oversold conditions. For instance, in March 2025, Reliance Industries was found to be in the overbought zone, suggesting that the stock may be due for a correction. Tata Motors, on the other hand, was oversold, indicating a potential buying opportunity for short-term traders.

Moving Averages are used to smooth out price data and identify trend directions. A 50-day moving average crossing above the 200-day average is considered a bullish signal. Reliance and HDFC Bank displayed this bullish crossover, suggesting positive momentum. In contrast, Infosys and Tata Motors showed bearish signals, implying caution in short-term trading.

MACD is another momentum indicator that provides insight into the direction and duration of a trend. For instance, a positive MACD line above the signal line reflects a bullish trend, while the opposite signals a potential decline. Technical charts of Infosys showed a neutral MACD, indicating market indecision and the possibility of consolidation before a directional move.

By combining multiple indicators, investors can reduce false signals and improve trade timing. The study also shows how some stocks, despite strong fundamentals, may not be ideal for short-term trading if technical signals are weak. Technical analysis, therefore, complements fundamental insights by fine-tuning decision-making.

4.3 Comparative Study and Back-Testing Results

We simulate a Rs. 1,00,000 investment in each stock using two strategies:

- **Fundamental Buy & Hold:** 1-year holding period
- **Technical Trading:** Entry/Exit based on RSI & MA signals

This section aims to combine both approaches by back-testing them over a one-year period (April 2024 to March 2025). Two strategies were simulated:

1. A fundamental strategy involving buying and holding selected stocks for one year.
2. A technical strategy involving trading based on RSI and moving average signals.

The comparative study revealed that while the fundamental strategy performed well in stable and consistently growing stocks like Hindustan Unilever and HDFC Bank, the technical strategy delivered better results in volatile stocks like Tata Motors and Reliance Industries. This confirms the hypothesis that technical indicators are more effective in capturing short-term price movements, whereas fundamental indicators are better suited for long-term investment.

For example, Tata Motors, which appeared riskier in fundamental analysis due to its high debt and low ROE, showed significant short-term gains under technical trading due to well-timed entries and exits based on RSI and moving average signals. On the other hand, Hindustan Unilever, with its low volatility and strong financials, showed better returns in the buy-and-hold strategy.

The back-testing also emphasized the importance of using a hybrid strategy. Investors who combine both approaches can better optimize their portfolio. For instance, they can use fundamental analysis to identify fundamentally strong companies and then apply technical indicators to time their entry points effectively.

Back-Tested Returns (April 2024 - March 2025)

Stock	Fundamental Strategy (%)	Technical Strategy (%)
Reliance Industries	15.2	19.8
Infosys	11.3	14.5
HDFC Bank	13.6	12.9
Tata Motors	9.4	16.7
HUL	17.5	15.6

- **Technical Strategy** yielded higher returns in volatile stocks like Tata Motors and Reliance, **Fundamental Strategy** worked better for HUL due to its stable, low volatility nature. Also Combining both strategies offers optimized entry and exit.

4.4 Statistical Comparison of Return between Infosys and Wipro, Using Paired T-Test:



Infosys (Fundamental Analysis):

Technical Analysis (Using MA cross and Macd) :



Interpretation :

A paired t-test was conducted to determine whether there is a significant difference between the returns generated by fundamental analysis and technical analysis on two comparable IT sector companies: Infosys and Wipro.

The returns for each company were calculated under both methods across the same time period. Infosys showed a fundamental return of 12.8% and a technical return of 15.1%, while Wipro showed 11.6% (fundamental) and 13.4% (technical).

The paired t-test yielded a **p-value of 0.042**, which is **less than 0.05**, indicating a **statistically significant difference** in returns produced by the two strategies.

This finding suggests that **technical analysis might have a slight edge** over fundamental analysis for short-term return generation in similar companies within the same sector. However, it is important to note that this test is limited to two companies and may not represent broader market behaviour.

4.5 Word Cloud:



CHAPTER-5

CONCLUSIONS

& SUGGESTIONS

CHAPTER-5

5.1 Summary of Findings

The research aimed to conduct a comparative analysis between two prominent methods used in stock selection: fundamental analysis and technical analysis. The study involved in-depth research design, application of analytical tools, and selection of five diverse stocks representing key sectors of the Indian economy. These included Reliance Industries (Energy & Retail), Infosys (IT Services), HDFC Bank (Banking), Tata Motors (Automobile), and Hindustan Unilever (FMCG). The primary objective was to assess how both approaches impact investment outcomes and to identify their respective strengths and limitations.

Fundamental Analysis: The fundamental analysis began with evaluating companies' intrinsic values using financial ratios such as Price-to-Earnings (P/E), Earnings Per Share (EPS), Return on Equity (ROE), Current Ratio, Debt-to-Equity, and Dividend Yield. Additionally, Discounted Cash Flow (DCF) was used to estimate the true valuation of companies like Infosys. The analysis revealed that companies like Infosys and Hindustan Unilever had sound financial health, low debt levels, high profitability, and stable returns, making them attractive for long-term investments. Companies like Tata Motors, despite having good growth prospects, showed higher debt levels, suggesting riskier investment profiles.

Technical Analysis: In parallel, technical indicators like Relative Strength Index (RSI), Moving Average Convergence Divergence (MACD), and Moving Averages (50-day and 200-day) were applied to identify momentum, price patterns, and trend reversals. The RSI helped identify overbought or oversold conditions, while the moving average crossovers indicated bullish or bearish trends. Stocks like Reliance Industries and HDFC Bank showed strong bullish indicators, while Tata Motors reflected potential reversals due to oversold signals.

Comparative Findings: The comparative back-testing of both strategies over a one-year period revealed that:

- The **fundamental strategy** was more effective for stable and consistently growing companies like Hindustan Unilever and HDFC Bank. It provided predictable, steady returns with lower risk exposure.

- The **technical strategy** outperformed in volatile stocks such as Tata Motors and Reliance Industries, where timely entries and exits based on price movements yielded higher short-term gains.
- **Infosys**, a balanced performer, was found suitable for both strategies depending on investor preferences and timing.

The key finding is that while fundamental analysis provides a robust base for long-term investment, technical analysis adds significant value in short-term trading and enhancing timing precision. Thus, a hybrid model that blends both approaches tends to offer better risk-adjusted returns.

5.2 Final Conclusion

Based on the analysis and comparison conducted in this project, it is evident that both fundamental and technical analyses serve distinct yet complementary purposes in the stock selection and investment process.

Fundamental analysis is ideal for long-term investors who seek to invest in companies with strong business models, consistent earnings, and good governance. It relies on the assumption that stock prices will eventually reflect their intrinsic values. Hence, investors with a long-term horizon, such as retirement planners or institutional investors, are best suited for this approach.

In contrast, technical analysis is favored by traders and short-term investors who aim to profit from market fluctuations and timing opportunities. It assumes that price movements are influenced by investor behavior and market psychology, and thus historical price and volume data can predict future movements.

The project findings highlight that a rigid application of either strategy in isolation may not always yield optimal results. Market conditions, sector-specific trends, macroeconomic indicators, and investor sentiment can all impact stock performance in unpredictable ways. For example, Tata Motors, which appeared risky based on fundamental analysis, provided high short-term returns through technical signals. Similarly, a stock like Hindustan Unilever might not offer dramatic price swings for technical trading but provides stable returns over time through consistent performance.

A flexible investment framework that incorporates both approaches depending on the nature of the stock and the investor's objective can help reduce risk and improve portfolio performance.

For instance:

- Use **fundamental analysis** to select high-quality companies for long-term investment.
- Use **technical analysis** to identify the right time to enter or exit positions.

This blended strategy is increasingly being adopted by hedge funds, mutual funds, and informed retail investors. The synergy created through this integration helps mitigate the weaknesses of each method when used independently.

The study concludes that in the modern financial environment, characterized by high volatility and information overload, the integration of fundamental and technical analysis is not just beneficial but necessary. Investors who leverage both analytical frameworks are better equipped to navigate uncertainties and maximize their return on investment.

5.3 Suggestions for Future Research or Investors

While this study provides valuable insights into stock selection through comparative analysis, there are certain areas where future research could be expanded for deeper understanding and better application.

1. Broader Stock Universe: The study was limited to five stocks across different sectors. Future research can expand the sample size to include mid-cap, small-cap, and international stocks to capture more diverse investment behavior and patterns.

2. Longer Time Frame: This research analyzed data over a one-year period. A multi-year or decade-long analysis could reveal more about long-term market cycles, economic impacts, and structural shifts within industries.

3. Sector-Specific Strategies: Different sectors behave differently during various phases of the economic cycle. Sector-specific fundamental and technical indicators can be developed and tested to build more accurate prediction model

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ANNEXURES

QUESTIONNAIRE

Section A: Investment Awareness & Preferences

- 1. Are you currently investing or planning to invest in the stock market?**
 - Yes
 - No
- 2. What is your primary goal for investing?**
 - Long-term wealth creation
 - Short-term trading gains
 - Regular income (dividends)
 - Not sure
- 3. How often do you make investment decisions?**
 - Frequently (daily/weekly)
 - Occasionally (monthly)
 - Rarely (few times a year)
 - Never

Section B: Knowledge and Use of Analysis Tools

- 4. Have you heard of Fundamental Analysis?**
 - Yes
 - No
 - Somewhat
- 5. Have you heard of Technical Analysis?**
 - Yes
 - No
 - Somewhat
- 6. Which of the following tools have you used or heard of? (Select all that apply)**
 - P/E Ratio
 - Moving Averages
 - RSI (Relative Strength Index)
 - MACD
 - DCF (Discounted Cash Flow)
 - None
- 7. Which type of analysis do you think is more useful for stock selection?**
 - Fundamental Analysis
 - Technical Analysis
 - Both
 - Don't know

Section C: Opinion-Based

8. **Do you believe market news and economic indicators impact stock prices?**
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
9. **Do you rely more on data and analysis or tips and recommendations when investing?**
 - Data and analysis
 - Tips and recommendations
 - Both equally
 - I don't invest yet
10. **Would you be open to learning and using both Fundamental and Technical analysis in the future?**
 - Yes
 - No
 - Maybe