CHAPTER-IX

TIME AND TRADE DYNAMICS

9.1 INTRODUCTION

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CHAPTER-IX
TIME AND TRADE DYNAMICS

9.1 Introduction

Markets are ever changing, this is especially so in case of financial markets. The volatility seen in stock markets are true to the adage “the only thing constant is change”. The volume and frequency of stock market transactions is phenomenal. Time horizons with reference to stock markets range from seconds to months and years based on the type of trade a person is engaged in. for a day trader, situations changes in seconds while a long term trader would wait for years to execute a trade.

Time as a variable is used in this chapter to discuss various aspects like structural variance of the networks and its evolution. It also helps to analyze the “phase transitions” that occur so frequently in the stock markets and attempts to unearth the underlying social pattern that causes the same. The chapter is organized in two parts. The first part explains the time and trade dynamics in an individual investor’s life and the second part explains the dynamics of time on the stock market.

RO 7: To examine the patterns of trading over different time periods and also to analyze the influence of social factors on them.

H₅: The speed with which investors respond to new information is positively related to the number of years of market participation.

H₆: Major social events tend to positively affect the volume of trade.
9.2 Social factors and trading trends

H₆: Major social events tend to positively affect the volume of trade.

Markets do not exist in vacuum. They are a part of the society. And as such, the happenings of the larger society have an impact on the market. The impact on the markets can be measured by the volume traded. For this purpose, historical data was obtained from the Bangalore stock exchange website. This data was correlated with the major happenings in the Indian society. Factors like festivals, elections, were factored in to find if they could account for the upheavals in the market. It shows the weekly data analysis of the market. It shows the volume traded for different day in a week and the variations in the volume. Figure 9.1 shows the weekly data correlated with social events.

FIGURE 9.1 WEEKLY DATA ANALYSIS
The weekly data for the period from 2\textsuperscript{nd} February 2012 to 2\textsuperscript{nd} March
2013 is taken up for consideration. A cursory look at the graph shows unaccounted for fluctuations in the stock market. When analyzing such a graph, the obvious conclusion would be to say that the markets are behaving irrationally. Because, in a perfect market, the prices fluctuate only when a new information appears in the market. The same figure is represented again with the an analysis of the prominent social factors.

The factors considered to be impacting the market that are considered here include the factors of festivals, political upheaval and major announcements that have financial implications. Indians are known for the exuberance with which they celebrate the festivals. New fervor and rigor is exhibited for every festive occasion. These occasions are further considered to be auspicious. This belief spurs a movement in the market. The occasions of festivals celebrated are normally declared as a holiday in the stock market. Even then the days preceding and post festivals are considered to be auspicious to make investments. This is reflected in the overall marked data taken for the study.

The data for this particular time period is ideal because it has incorporated all the variables sought to be tested in this study. The factor of festivals having an impact is represented by the two festivals of Christmas and akshaya tritiya. The religion component along with the novelty factor of akshya tritiya has been available for analysis.

Moreover, the announcement of budget shows a period of interesting activity. The market actors who were waiting in anticipation till the announcement of the budget make a sudden move and bring about an increase in the volume traded.
FIGURE 9.4: MARKET LOWS CORRELATED WITH SOCIAL EVENTS

FIGURE 9.5: INVESTMENT ON DAYS CONSIDERED AUSPICIOUS
9.3 Phases of life and lines of profit

The markets are known for one aspect that is constant—the never ending upheavals. Sometimes the lines swing upward and investors rejoice and at others, the lines of profit dip down south making the investors sulk. The upheavals are not just a feature of the market, but also a feature in the lives of the investors. The investors, as all social actors, face the markets in different ways at different times. This section tries to trace the investors behaviour at different phases of life and try to understanding the significance of time and age on profit making pursuits.

**TABLE 9.1: TIME AND EXPERIENCE**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Significantly decreased</th>
<th>Slightly decreased</th>
<th>Not changed</th>
<th>Slightly increased</th>
<th>Significantly increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>106</td>
<td>41</td>
<td>8</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Female</td>
<td>84</td>
<td>22</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Using the dichotomous variable of gender and factoring in the variable to experience, the table above seeks to explain the dynamics of experience and the time taken to process and react to new information. The data shows inverse relationship between experience and information processing. The higher the experience, the time taken to process information reduces. This is one aspect of the social construct of time.

**CONCLUSION:**

The attempt to find the dynamics of stock trading and time has been undertaken in this chapter. The data from the secondary market correlated with major social events shows the possibility for making such analysis for better understanding of the hitherto unpredictable stock markets.