ARTICLE ON PORTFOLIO MANAGEMENT

DEEPU SAROJ
PG Scholar
Department of management studies
MBA(finance)
Marri Laxman Reddy Institute Of Technology And Management

K.SANTOSHINI
Guide, Assistant Professor
Department of Management Studies
MBA(Finance)
Marri Laxman Reddy Institute Of Technology And Management

Dr. K. VEERAIAH (PhD)
Head Of Department
Department of Management Studies
MBA(Finance)
Marri Laxman Reddy Institute Of Technology And Management

ABSTRACT:

Making an investment on shares, debenture, and bonds are both cost-effective and exciting, but it involves a high amount of risk and it requires analytical skills. If an venture capitalist wants to make a profit out of above said securities, he must have sizeable financial wisdom as well as capable of facing risk. Now a day, Most of the peoples have penchant to make an investment on various portfolios such as Shares, Debenture, Bonds. But, they are unable to manage them prudently. So this article has been willing with a view to provided that proposal to manage their portfolio in an in effect way by using RSI (Relative strength Index) and ROC (Rate of Change).

INTRODUCTION

Meaning:

Portfolio refers to mixture of securities such as shares, debentures…etc. Portfolio Managing states to branching out of investment with a view to minimizing the risk and maximizing the returns. It assists as platform for the financiers to diversify their portfolio among several investment opportunities.

Definition:

The fine art and science of making resolutions about investment assortment and policy, matching reserves to objectives, asset allocation for those and institutions, and complementary risk against performance.

Portfolio management is all about strengths, weaknesses, opportunities and threats in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other tradeoffs come across in the attempt to take full advantage of return at a given desire for food for risk

Objectives:

1. To deliberate the concept of selection administration.

2. To examine the risk and return a number of investment avenues.

3. To evaluate the concert of portfolio over a period of interval.

Scope of the study:

1. It supports the investors to take applicable investment decision.
2. It lay emphasis on wealth and turnover maximization.
3. It helps in extensive- span investment conclusion.
4. It helps the nominees to know the various risk supplementary with the return.

Need of the study

1. Investor can engender highest arrival at a given side by side of risk.
2. It helps to ascertain the non -carrying out securities in the speculation process and for improving these capacities.
3. It helps the depositors to choose the optimal collection.
4. Effective application of resource
5. Expansion of investment leads to minimization of threat.

Tools used in Portfolio Management:

Rate of Change:

The Rate of Change (ROC) gauge measures the fraction change of the current price as related to the price a certain number of periods ago. The ROC indicator can be used to approve price moves or become aware of divergences; it can also be used as a guide for decisive overbought and oversold circumstances.

$$\frac{\text{Close(today)} - \text{close(periods ago)}}{\text{Close(periods ago)}} \ast 100$$

To understand the concept of ROC easily, let us consider the following example.

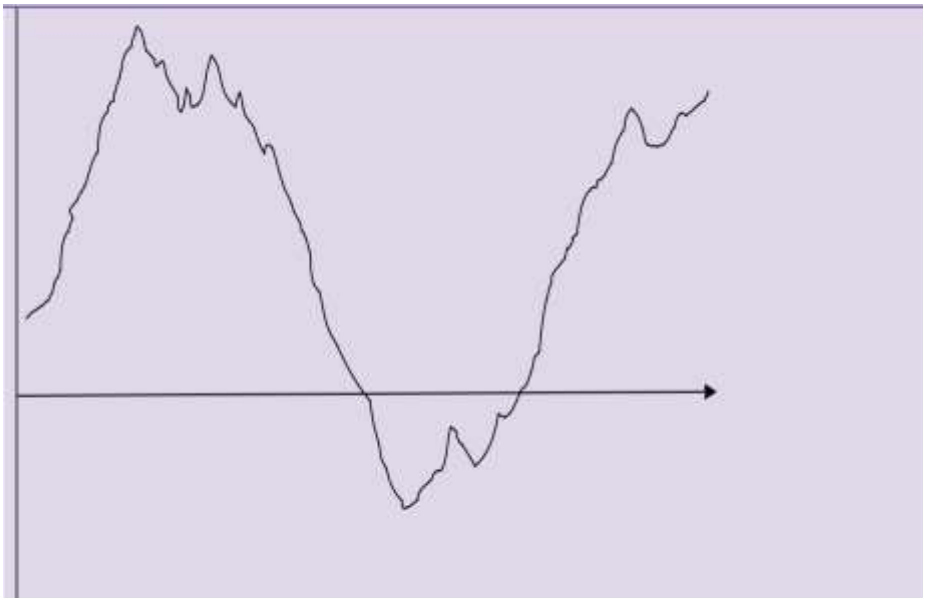
Stock price of Narmada Pvt. Ltd is given below

Days	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Price	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	85	87	88	98

Day s	Closing Price	Closing Price 7 days ago	Price ratio	ROC = Ratio-1
1	80			
2	81			
3	82			
4	83			
5	84			
6	85			
7	86	80	1.07 5	0.075
8	87	81	1.07	0.07
9	88	82	1.07 3	0.073
10	89	83	1.07 2	0.072
1 1	90	84	1.07 1	0.071
12	91	85	1.07 0	0.070
1 3	92	86	1.06 9	0.069
14	93	87	1.06 8	0.068
1 5	94	88	1.06 8	0.068
16	85	89	0.95 5	-0.045
1 7	87	90	0.96 6	-0.034

18	88	91	0.967	-0.033
19	98	92	1.065	0.065

Appropriate time to
-80 sell
-70
-60
-50
-40
-30
-20
-10
-0 1 2 3 4 5 6 7 8 9 10 11 12 13 14
--10
--20
--30
--40
--50
Appropriate time to
--60 buy
--70
--80



The above chart clearly shows that one should buy a share that is oversold and sell the share that is overbought. In the ROC Chart, overbought zone is above the zero line and the oversold zone is below the zero line

Relative Strength Index:

To understand the concept of RSI easily, let us consider the following example.

Stock price of Narmada Pvt. Ltd is given below

Day	Closing Price	Change over previous day	
		Gain	**Loss**
1	132	---	---
2	130	---	02
3	120	---	10
4	145	25	---
5	156	11	---
6	200	44	---
7	190	---	10
8	200	10	---
9	190	---	10
10	195	05	---
11	190	---	05
12	200	10	---
13	250	50	---
14	280	30	---
15	275	---	05
Total		**14 Day Average = 185 / 14 = 13.21**	**14 Day Average = 42/ 14 = 3**

ROC = [100 – 100/ (1+RS)]

RS = 13.21/ 3

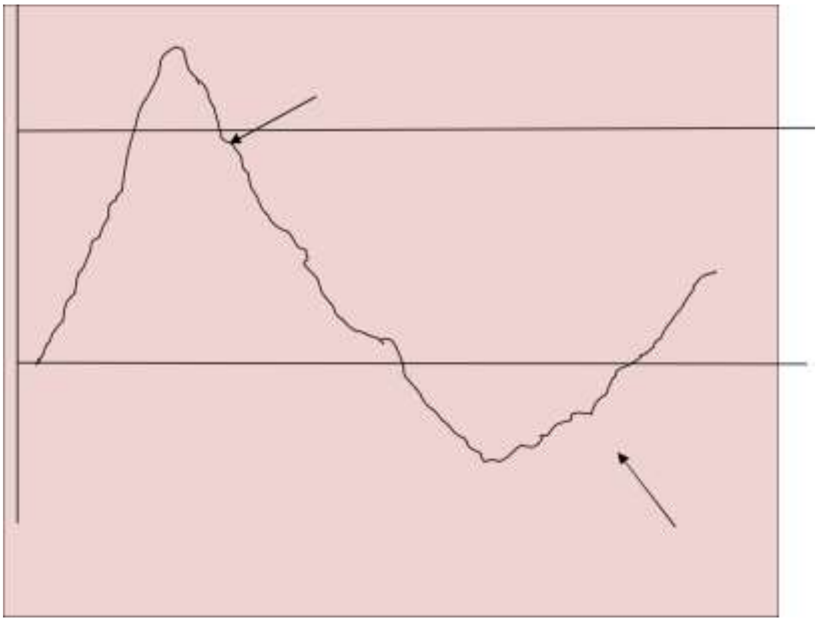
= **4.40**

RSI = 100 – (100 / (1+4.40)

= 100 - (100 / 5.40)

= 100 – 18.51

= 81.48



CONCLUSION

RSI Values above 70 are well thought-out to denote overbought conditions and morals below 30 are reflected to denote over praised condition. When the RSI has go across 30 lines from below to above and is rising, a ordering prospect is indicated. When it has crossed 70 line from directly in the air to below and is falling, trade signal is indicated.

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