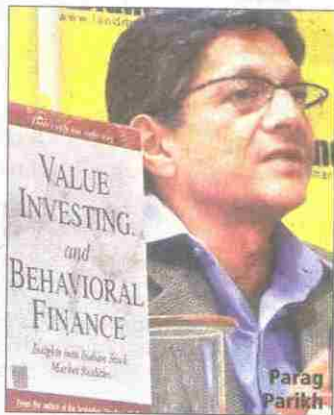


# Sense and sensex



Parag Parikh

RENUKA PHADNIS

“In the stock market, there are no brilliant guys,” says Parag Parikh, financial adviser with over two decades of experience and a columnist on the Indian stock market. Stock markets are both ‘senti’ and ‘mental’ places with crazy indicators, triggered by sentiments. And nobody can foretell the market. No one — not even

the company’s management — knows how the stock will do in future, he said ‘sharing’ his thoughts while on a visit to Bangalore to release his book *Value Investing and Behavioral Finance: Insights Into Indian Stock Market Realities*.

Everyday, people are drowned in excitement, they get hysterical information about the Sensex going up or down. And for a lot of people, watching the ticker on business channels is a huge hobby to check which company’s share value has moved up or down. But how does one make sense of the Sensex?

## (B)RAIN DRAIN

About 10 days ago, everyone was worrying about the lack of rains and its impact on the Indian economy. A few days later, when it rained, people thought all is fine with the world and the Indian economy is going great guns and the market will do well. “But how do you know the rain went into the farmer’s fields? Or did the rain end in the drain?” He says, “Think! Don’t take mental shortcuts!”

## TIPS FOR INVESTOR

- When you buy a stock, think of it as buying part of a business.
- Delay gratification. Don’t act impulsively. Look at long term consequences of actions, not for short term gains.

## HEAD AND HEART

Parag Parikh belongs to the behavioural school of thought. He tells you that in the market — as elsewhere — people act according to their emotions, not according to reason. The markets are guided by sentiments. That is because the market is full of human beings and they are emotional, taking decisions according to their hearts, not with their heads. “When the heart tells you to do something, you end up losing money,” he says.

People avoid the markets either because they think it is for those who know the game or they have lost money. But making money is not tough.