

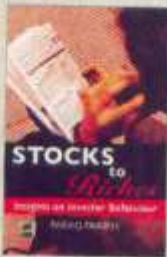
# Know Your Emotions

Behavioural finance is a new field of study and Parag Parikh, a Mumbai-based stock broker is one of the first to write a book on it in India. His book "Stocks to Riches" adapts behavioural finance to the Indian context. Retail investors largely are ignorant about the behavioural patterns and attributes while being a part of the macro system. To illustrate this, he has interesting chapters in the book like the one on price rigging by operators and dominant market players (Making a Bubble). A retail investor would understand common traits such as greed, fear, running for lesser known scrips on the basis of rumours, reluctance to get out of plummeting stocks and taking market commentary in the media too seriously. The book should help the reader mend the deficiencies in his investing style. As he puts it, many people today unconsciously acquire speculative habits in the error that they are investing.

As far as brokers, analysts and fund managers are concerned, a majority of them are aware of rigging practices. Often they are intentionally an active element in

creating stock bubbles and making financial gains for themselves at the cost of retail investors, as the book suggests.

Parikh has come down strongly against open-ended mutual fund schemes and holds such schemes responsible for inducing volatility in the stock markets. Parikh charges that these funds act against their own advice of investing for the long-term and are mostly short-term oriented. To get over your behavioural biases such as greed Parikh advocates the well-known mantra of investing for the long term. Considering that Parikh is a broker himself, he is candid in confessing that a broker might push a mutual fund scheme to an investor not because it is a good investment option but in order to generate indirect business from the purchase and sale of stocks.



**STOCKS TO RICHES** - Insights on Investor Behaviour  
By Parag Parikh  
Tata McGraw-Hill Publishing Co. Ltd.  
113 pages  
Rs. 195