

Case: Is This the Right Stock...?

Mr Mohan, after considering many stocks in the banking sector, has selected the HDFC Bank stock. He has downloaded the stock price and the Sensex values from the BSE website www.bseindia.com and, as usual, he is concerned with market upswings and downswings. He knows that HDFC Bank was able to withstand the global financial crisis. Yet he wants to know how much market movements can affect the HDFC stock price. What will happen to the stock return if there is a downturn in the market? Will the uptrend reward him more than the market return? He turns to you, an MBA student with specialization in finance, for help. How will you help him? He has downloaded the price data for HDFC stock and the Sensex value as given in Table 7.3 from the BSE website.

Table 7.3 Price of HDFC Bank stock and Sensex value

Date	Sensex	HDFC bank	Date	Sensex	HDFC Bank
1/4/2012	17,583.97	514.15	16/4/2012	17,466.2	507.7
2/4/2012	17,636.8	518.3	19/4/2012	17,273.37	498.65
3/4/2012	17,636.99	518.9	20/4/2012	17,316.18	504.85
5/4/2012	17,362.87	511.3	21/4/2012	17,601.71	515.4
6/4/2012	17,173.29	507.6	22/4/2012	17,196.47	502.6
7/4/2012	17,145.52	515.3	23/4/2012	17,361.74	513.85
9/4/2012	17,503.24	522.85	26/4/2012	17,052.78	510.55
12/4/2012	17,587.67	519.85	27/4/2012	17,257.36	518.05
13/4/2012	17,813.62	524.8	28/4/2012	17,121.62	513.3
14/4/2012	17,919.3	527.05	29/4/2012	17,058.61	510.7
15/4/2012	17,675.85	510.95	30/4/2012	17,404.2	520.05