



### RISK ASSOCIATED WITH INVESTOR'S TRADING IN POSITIONAL TRADING

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#### Abstract:

*This study investigates investor preferences and the factors influencing decision-making in positional trading. Using survey data, it identifies key motivations, perceived benefits, and challenges associated with this trading strategy. The analysis reveals demographic influences, trading experience, and risk tolerance trends. This study also identifies avenues for further research and methodological refinement. Findings suggest that long-term capital appreciation and lower volatility are significant drivers for positional trading, whereas investors perception towards risk and managing risk remains same.*

**Keywords:** *Investors, Preference, Trading, Stock Market, Positional Trading*

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#### Introduction:

Positional trading has emerged as a prominent strategy for investors seeking medium-to-long-term price trends in financial markets. Unlike intraday trading, positional trading emphasizes stability and capital preservation by holding positions for days or weeks. Understanding the preferences and behavioural patterns of investors in this domain is crucial to improving decision-making processes and outcomes.

This pilot study aims to address the literature gap by examining factors such as demographic variables, trading experience, and risk tolerance that influence investor preferences in positional trading. The insights generated will serve brokers, financial advisors, and policymakers by offering practical recommendations and a foundation for comprehensive research.

**Literature Review:** Existing research highlights the dichotomy between risk-tolerant and risk-averse

behaviours among investors in various trading strategies. Positional trading, characterized by its medium-to-long-term horizon, appeals to those prioritizing lower volatility and stable returns. However, factors like access to market information, portfolio diversification strategies, and the broader economic environment significantly influence investor behaviour. Few studies have systematically explored these factors in the context of positional trading, emphasizing the need for targeted investigations like the present study.

#### Objectives of the Study:

1. To explore investor preferences for positional trading strategies.
2. To identify key influencing factors driving decisions in positional trading.
3. To assess the least impactful factors that minimally affect investor decisions.



4. To provide foundational insights for future, more comprehensive research on the topic.

### Hypothesis of the Study:

H0: There is no significant difference between the perceptions of risk and the use of risk management tools

H1: There is significant difference between the perception of risk and the use of risk management tools

### Significance of the Study:

1. **Practical Relevance:** Offers insights into investor behaviour, enabling brokers and financial advisors to tailor services.
2. **Market Understanding:** Identifies trends and challenges specific to positional trading strategies.
3. **Policy Implications:** Provides data-driven recommendations for regulatory bodies to foster a conducive trading environment.
4. **Foundation for Further Research:** Sets the stage for larger, more detailed investigations into trading behaviours.

### Limitation of the Study:

1. This study is limited to the investors residing in MMR region.
2. The sample size of this study is limited to 75 only.

### Research Design:

This study employs a quantitative survey-based approach using structured questionnaires to gather data from investors engaged in positional trading. The data collection focuses on demographic details, trading preferences, and opinions on influencing factors. Analysis methods include frequency distributions to examine demographic trends, mean scores to assess overall sentiment, and correlation analysis to explore relationships between trading experience and preferences. As an exploratory study, it is limited by its small pilot sample size and may not be generalizable to all investor groups, requiring future expansion for broader validity.

### Data Collection and Interpretation:

**Data Collection:** Survey data collected through structured questionnaires included demographic details, trading preferences, and risk tolerance levels. A descriptive statistical analysis was performed on the following key factors:

- Risk tolerance (mean: 3.28, SD: 0.92)
- Preferences for lower risk associated with longer holding periods (mean: 3.20, SD: 1.03)

**Interpretation:** The data reveals moderate agreement among investors regarding the benefits of positional trading, such as stability and diversification. However, varying risk tolerances underscore the importance of personalized strategies.

**Results and Findings:** The t-test results reveal that there is no significant difference between the perceptions of risk and the use of risk management tools. The means for both variables are closely aligned, with a mean of 3.28 for perceptions of "Very Risky" and 3.31 for the use of risk management tools. The variance is slightly higher for risk management tools (1.13) compared to perceptions of risk (0.85), indicating that the responses related to risk management tools are more varied. The t statistic of -0.16, accompanied by a high p-value of 0.87, suggests that the observed differences between the groups are not statistically significant. Furthermore, demographic influences such as gender and trading experience significantly impact investor preferences, with investors showing moderate comfort with risks associated with medium-to-long-term positions. The analysis also highlights that reliable market information plays a crucial role in decision-making, while long-term capital appreciation and lower volatility are key drivers for investors.

### Conclusion and Recommendations:

#### Conclusion:

This study concludes that there is no statistically significant difference between the perceptions of risk



and the use of risk management tools among investors. The findings suggest that investors tend to align their perception of risk with their use of risk management tools, though there is some variability in the responses. Demographic factors, such as gender and trading experience, significantly influence investor preferences, and reliable market information is critical for decision-making. Moreover, investors are primarily motivated by long-term capital appreciation and a preference for lower volatility in their investments.

### Recommendations:

1. **For Brokers:** Offer personalized strategies based on demographic and experiential factors.
2. **For Investors:** Emphasize portfolio diversification to mitigate risks.
3. **For Policymakers:** Ensure transparency and accessibility of market information to support informed decisions.

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