

**Predicting Stock Market Crash**  
**A Case of Karachi Stock Exchange**

**Submitted By**

Sarfraz Hakim Katal

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Sheikh Adil Amjad

01-222062-066

MBA (Fall 2008)

**Supervised By**

Mr. Muhammad Akbar

**Bahria Institute of Management and Computer Sciences,**  
**Islamabad Campus**

### **ABSTRACT**

Stock Exchanges world over are primary as well as secondary markets for all sort of securities. The stock markets invariably suffer crashes instigated sometimes by global economic facts and recessions, while sometimes by localised phenomena. The net result is loss of capital and investor confidence leading to economic instability. A mechanism needs to be developed, may it be regulatory or in the form of technical tool, to predict such unprecedented market crashes in order to evade or to minimize its impact.

The technology advancement has leed to easy and convenient availability of historical information. This study was focused on selecting reasonable number of market crashes from NYSE and KSE history. This was followed by selecting fundamental and technical variables. The data collection against these variables was restricted to the periods preceding these crashes. Finally analysis was conducted to find the possibility of predicting crashes based on similarities in the patterns.

Although the study remained inconclusive, as far as narrowing down on a particular devisable tool to predict the market crash, but the phenomena stands proven. The research has been able to note similarities in the patterns of selected variables. There are many variables whose combinations may prove to be even more conclusive than the combinations selected by the researchers. The study in this domain needs to be taken up as a continual process to reach conclusive tool and regulatory mechanisms in order to safeguard the investor interest.

## Table of Contents

1.	Introduction	4
1.1	Background	7
1.1.1	<i>DJIA Crashes</i>	7
1.1.1.1	<i>Wall Street Crash Of 1929</i>	7
1.1.1.2	<i>DJIA Crash of 1973-74</i>	8
1.1.1.3	<i>DJIA Crash of 1987</i>	9
1.1.1.4	<i>1997, Mini Crash</i>	10
1.1.2	<i>Karachi Stock Exchange Crashes</i>	10
1.2	Problem Statement	11
1.3	Project Objective	12
1.4	Research Methodology	12
2.	Contemporary Research	14
2.1	The Stock-Bond Trade-Off	14
2.2	Cash-Strapped Mutual Funds	16
2.3	The Smart Money Is Bearish	17
2.4	A Ray of Sunshine	18
2.5	Morgan Stanley Predictions	18
2.6	The Sticking Plaster	19
2.7	Credit Crunch Hits Home	20
2.8	The Future Isn't So Bright	21
2.9	KSE: Legalized Gambling In Disguise	22
2.10	The KSE Thugs and Their Evil Strategy!	25

2.11 An Advice to the Small Investors!	27
3. Data Analysis and Methodology	28
3.1 Technical Analysis	28
3.1.1 <i>Dow Jones Industrial Average Crashes</i>	28
3.1.1.1 <i>Wall Street Crash Of 1929</i>	28
3.1.1.2 <i>Stock Market Crash Of 1973-74</i>	31
3.1.1.3 <i>The Crash Of 1987 " Black Monday"</i>	33
3.1.1.4 <i>1997, The Mini Crash</i>	35
3.1.2 <i>Karachi Stock Exchange Crashes</i>	37
3.1.2.1 <i>Crash Of January 2003</i>	38
3.1.2.2 <i>Crash Of March, 2005</i>	40
3.1.2.3 <i>Crash Of April, 2006</i>	42
3.1.2.4 <i>Crash Of July, 2008</i>	44
3.1.3 <i>Combined Analysis Of Crashes</i>	46
3.1.3.1 <i>Market Volumes</i>	47
3.1.3.2 <i>Market Index</i>	48
3.1.3.3 <i>Index high-Low Differential</i>	49
3.2 Fundamental Analysis	50
3.2.1 <i>Crash of January 2003</i>	50
3.2.2 <i>Crash of March 2005</i>	51
3.2.3 <i>Crash of April 2006</i>	51
3.2.4 <i>Crash of July 2008</i>	52
4. Findings of the Study	53
5. Conclusion	54
6. Bibliography	55
7. Appendices	57

7.1	Appendix I	57
7.2	Appendix II	58
7.3	Appendix III	59
7.4	Appendix IV	60
7.5	Appendix V	61
7.6	Appendix VI	62
7.7	Appendix VII	63