

**"Karachi Stock Exchange: Risk & Return
Analysis of Top 20 Securities (Case Study)"**



Rahim Nawaz Khan
(222021-042)

A research project submitted in partial fulfillment of the
requirements for the degree of MBA

Department Management Sciences
Bahria Institute of Management and Computer Sciences
(BIM&CS)

Bahria University Islamabad

2004

2/5/04

Abstract

Karachi Stock Exchange is the largest stock exchange of the Pakistan with almost 800 listed securities of different companies. In year 2002 it is rated as the world's top most performing stock exchange. After the stock exchange reforms in 2002 the index jumped up and now it on 5500 points which is the all the time record. After this major development the individual turned their attentions from the bank and other depository institution to the stock exchanges. Now days it is observed that many people have started investing in the stock exchanges to earn their livelihood. Even though the bank and financial institutions have started investing their funds through margin financing rule in the stock exchanges due to the high return. This paper is about the analysis of the 20 high trading securities of the KSE-100 index. Here the twenty different securities are selected and their behavior with the index has been checked by using regression, correlation and other statistical tools. It is also told that how a security behaves due to positive or negative change in the stock index. So if an investor wants to invest in any of these 20 securities, he can check the stock index and then can conclude that should he invest in this security or not. And in which security should he invest at this point of time. The average return

has been worked out to check the minimum return or the portfolio of these securities. The change in the stock index and the change in the average return in the portfolio of these securities is also shown by the graph. Monthly return of each security is shown through graph for last five years. Finally it is recommended that investor should invest by formulating that portfolio of securities in which the negatively correlated (Weak or Strong) and positively correlated securities (Weak or Strong) according to its risk tolerance and risk aversion capacity. Where he can earn highest returns at given level of risk or if loss occurs then it should be minimum possible loss at the given level.

TABLE OF CONTENTS

Introduction	1
Broad Problem Area	6
Rational Of the Study	7
Problem Statement	8
Definition of Terms	9
Literature Review	12
Method	21
Population	21
Sample	21
Instruments & Measures	21
Procedure	25
Results And Discussion	26
Conclusions	32
Recommendations	33
Bibliography	34