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METHODOLOGICAL APPROACHES TO ANALYSIS OF FINANCIAL INVESTMENTS IN THE COMPANY SECURITIES

Methods for analysis of financial investments in securities are examined in this article in order to find suitable scientific investment methods for investors and maximize their expected returns. In order to conduct profound financial analysis of investments in securities, it is necessary to use a variety of financial data of internal and external companies, including comprehensive analysis of various factors, transactions, profitability and value of the company.

В данной статье изучаются методы анализа финансовых вложений в ценные бумаги, чтобы найти подходящие научные методы инвестирования для инвесторов и максимизировать их ожидаемую прибыль. Чтобы провести качественный финансовый анализ инвестиций в ценные бумаги, необходимо использовать различные финансовые данные внутренних и внешних компаний, включая всесторонний анализ различных факторов, операций, прибыльности и стоимости компании.

The investing in securities is a kind of investment behavior, the coexistence of profitability and investment risk. Thus, to take advantage of low risk and high investment opportunities, investors need to have a basic knowledge of investment and techniques of investment analysis.

In the context of the continuous formation of the Chinese securities market, the use of scientific and rational methods of investment analysis makes it possible to effectively avoid investment risks and standardize investment behavior. There are many methods for analysis of financial investments in securities, including the basic analysis method, the financial analysis method, the combined analysis method, the multivariate statistical analysis method, the technical analysis method, the psychological analysis method, the cluster analysis method, etc.

The results of the analysis of financial investments can help to prepare for investment effectively, reduce investment risk, get the highest return on investment, that is, make the most appropriate investment decision [1].

After having analyzed the relevant literature and data, the author has come to the conclusion that there is no absolutely standardized method of analysis that could help all investors before making an investment decision. Various methods of investment analysis have their own field of application and requirements for environmental factors. Investors need the combination of different analytical methods in terms of their focus on maximum value as a result.

Thus, before analyzing financial investments in securities, it is necessary to study various methodological approaches and then find the best analysis methods to improve the quality and increase the profitability of financial investments in securities.

Scientists have conducted various studies of investment analysis methods, which can be divided into the following categories: basic analysis method, technical analysis method, quantitative analysis method, and behavioral analysis method.

The basic analysis method is also called fundamental analysis. This is the analysis of securities based on the principles of financial management, in which macroeconomic indicators, trends in economic policy, industry development, commodity market conditions, company sales, financial conditions, etc. are studied, and the investment value of securities is analyzed to determine fair cost. Its theoretical basis is as follows:

a) any investment object has a fixed benchmark, which can be called «intrinsic value», and this intrinsic value can be obtained by analyzing the current situation and future prospects of the investment object;

b) the gap between the market price and the intrinsic value will eventually be corrected by the market. Thus, the moment the market price falls below intrinsic value is an opportunity to buy. When the market price is higher than the intrinsic value, it is an opportunity for a sale.

The main approach to analysis is the investment analysis approach, which considers the macroeconomic situation, industry characteristics and basic financial data of listed companies as the object of investment analysis and the basis for investment decisions.

The system of methods for analysis of this school embodies the following characteristics: the theory of value is taken as a basis, statistical methods and methods of calculating fair value are used. There are two assumptions: the par value of a share determines its price, and the share price fluctuates around its par value. Thus, the cost becomes a criterion for assessing the reasonableness of the price. Basic analysis mainly includes macroeconomic analysis, industry and regional analysis, and analysis of companies.

The technical analysis method is a technical method that takes the past and present behavior of the securities market as an object of analysis and examines some typical rules for the change in the value of securities using diagrams, logic, mathematics, and accordingly predicts the future trend of changes in the price of securities. The market behavior of securities has many forms of expression, including the market price, trading volume, changes in market prices and trading volumes, and the time to complete these changes. The theoretical basis of technical analysis is based on three assumptions: market behavior contains all data, prices move along trends and history repeats itself. The content of the theory of technical analysis is the content of market behavior.

The theory of technical analysis is based on the theory of Charles Dow, and after long development and evolution, it has formed many schools of analysis. Typical ones are K-line theory, tangent theory, shape theory, quantity-price theory, technical index theory, wave theory and cycle theory. The School of Technical Analysis believes that fluctuations in stock prices are adjustments in market supply and demand that deviate from equilibrium. This approach is based on the judgment of price and aims to select the correct investment opportunity. From the earliest intuitive decision-making methods to graphical and indexed decision-making methods, the latest model methods and intelligent decision-making methods which are undergoing research and development.

A quantitative analysis method is the use of a statistical, numerical and other quantitative model to research the securities market. The method using large amounts of data, models and computer characteristics is widely applied in assessing securities, forming and optimizing a portfolio, determining strategy, evaluating efficiency, measuring and managing risks, as well as solving other issues related to investments.

The quantitative analysis method is also called the portfolio analysis method. With the advancement of portfolio theory and the need for specific applications for investment analysis, especially in the current era of big data, the use of quantitative analysis has great prospects.

The method of behavioral analysis, also known as behavioral finance, comes from the «problem of vision» and takes into account the peculiarities of human perception and judgment, decision-making in a situation of uncertainty, which is incompatible with the classical theory. Some investors have used this approach to invest and have indeed made extraordinary returns [2].

Consequently, these methods are based on «vision» as an object of research, the study of the psychological behavior of investors based on behavioral science. This method is based on the assumption of classical financial theory that often the actions of people go against the predictions of economic theory, and investors are not completely rational. Not every investor in the securities market with investment theory and a complex mathematical method can get the so-called rationality and equilibrium price to control his investment behavior. Investors do not always make investment decisions in accordance with fundamental principles, sometimes decisions are spontaneous.

So, the main advantage of the basic analysis method is that it can identify the main factors that determine the price of securities from a financial point of view, as well as the way and degree of influence of these factors on the price, which affects investment decisions. The

main disadvantage is that investors are highly dependent on the reliability and integrity of fundamental data, and the ability to predict short-term price trends is weak. The basic method of analysis is suitable for choosing investment targets for the medium and long term.

The technical analysis method directly selects open market data, uses charts and other methods to intuitively explain the market trend, lacks a solid economic and financial theoretical foundation, the assessment of the behavior of securities prices has large fluctuations, and is more suitable for short-term buying and selling.

Quantitative analysis often uses complex mathematical models and computer numerical simulations that can provide more accurate analysis conclusions. However, it is not easy for the general public to accept it, because it places high demands on the analysis technology and user qualifications. At the same time, various mathematical models used in the quantitative analysis method themselves have model risks, the used coefficients are difficult to determine, and if the external environment changes greatly, this will affect the stability of the original model. In addition, quantitative analysis often needs to be combined with programmed trading technology, which places higher demands on the speed of the trading system and the accuracy of market data, which also limits the scope of its application.

The advantage of behavioral analysis is that it can force investors to maintain the correct perspective of observing the process of investing in securities, especially when analyzing the main turning points in the market, which often has a very good effect. The disadvantage of the method of behavioral analysis is that it is based on various rational models of behavior and psychological assumptions of people, so it is difficult to get a single conclusion that will help guide investors. This method is not used often, but its importance becomes evident only when the above analytical methods cannot explain it.

It can be concluded that it is very important which method of investing in securities is used by investors to make investment decisions in the process of investing in securities.

In fact, there is no perfect method for analyzing financial investments in securities, and any theory or method of analyzing investments has its own applicable premise and hypothesis. Investment analysis is a professional activity with both scientific and creative qualities, which puts forward high demands on the knowledge, skills and experience of analysts.

Literature

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