FINANCIAL ASTROLOGY: AN UNEXPLORED TOOL OF SECURITY ANALYSIS

Dr. Jaydeep Chaudhri* & Pinkal Shah**

* Associate Professor, Department of Business & Industrial Management, Veer Narmad South Gujarat University, UdhnaMagdalla Road, Surat – Gujarat.
** Assistant Professor, The School of Management, SumandeepVidyapeeth (Deemed University), At & Po Piparia, Taluka :Waghodia, Vadodara – 391760, Gujarat.

ABSTRACT

This paper presents the conceptual idea in the area of Financial Astrology, an unexplored approach of security analysis. An Indian stock market has witnessed marvelous growth and development in the last decade. Indian Stock market is an attractive investment destination amongst the investors’ fraternity of all the segments i.e. Retail, FIIs, DIIs & HNIs. Investors are mainly adopting fundamental analysis and/or technical analysis as an approach of security analysis in managing their investment in stock market. However, both the approaches fail to determine proper timing of entry and exit from trade so that maximum profits are earned or loss is minimized. So, financial astrology, which deals with prediction of prices of stocks/index based on planetary positions, answers on this issue. This conceptual paper presents describes the grass roots of financial astrology and status of research work in this area and its utilities. It may also clarify myths associated with financial astrology. This paper also suggests the scope for future research in area of financial astrology with special reference to Indian Stock Market.

INTRODUCTION

Investment plays very crucial role in any growth and development of economy of any state. It is also considered as lifeblood for economic system while financial market is considered as blood-vessel for economic system as it facilitates transformation of saving into investment, which later on gets converted to production and consumption. Any organized and efficient financial market provides different alternatives for prospective investors to invest their saving in monetary form. These alternatives of investment are classified into following two categories viz. Risk free investment alternatives & Risky investment alternatives. Investment in equity shares of different company through stock exchanges, popularly known as investment in stock market is a prominent and widely acceptable alternative. Significant proportion of national savings is invested in stock market at global level. In case of India, this proportion is much higher than other developed countries.

Indian stock market has witnessed marvelous growth and development in the last decade. The turnover or volume rise significantly in last ten year. The number of participants and amount of investment in all the segments viz. retail investors, Domestic Institutional Investors (DIIs) and Foreign Institutional Investors (FIIs) has increased at significantly higher rate. Even after slow down phase of the year 2008, stock market rebounded sharply and maintained trust of investors of all three segments. It has given significantly higher return to investors and is still considered to give better possibilities of growth in future.

It should be noted that investment option in stock market is a part of risky investment alternatives. Therefore, investors have to follow the scientific approach of security analysis and portfolio management which is part of investment management process. Therefore, prediction of share prices for future time frame with expected risk and return is the key to trade in stock market. However, predictions about investment decisions in stock market are always challenging as stock prices are fluctuating every second and there are many factors which influence these fluctuations. Therefore, share price prediction always remains as an area of interest amongst investors and researchers. There are different approaches of security analysis for prediction.

In real life situation, fundamental analysis and technical analysis are two popular approaches to prediction of share prices. The fundamental analysis mainly answers as to which stocks should be bought or sold for long period of time. It is based on fundamental factors related with economy, industry and company affecting share price movement. Technical analysis mainly deals with the price at which one should enter into the trade and exit the trade with stop loss based on statistical analysis of historical data of share price and its charting pattern. But principles of both the theories fail to determine proper timing of entry and exit from trade so that maximum profits are earned or loss is minimized. But, financial astrology answers this issue.

Financial astrology is part of a broad area of astrology. Therefore, it is mandatory to understand the astrology first at conceptual level to trace origin of financial astrology.

ABOUT ASTROLOGY

Astrology is the study that attempts to interpret effects of heavenly bodies or celestial bodies on human behavior and natural world. It is an art and science of predicting human behavior and personalities, his/her strengths and weaknesses as well as different social, cultural, economic and political affairs of the world.
Branches of Astrology

The traditional Astrology has following three main branches:

1. **Natal Astrology**
   - Natal Astrology deals with different aspects of human life like his/her personality, behavior, strength and weakness based on his/her horoscope or birth chart.

2. **Mundane Astrology**
   - Mundane Astrology deals with the prediction of human world such as broad issues related with issues of cities, countries, and nations as well as the world as a whole. It examines the issues related with war, politics, economy & business, agriculture, natural calamities; etc. Thus, it is macro level approach related with all human being of concerned city, country or world. There are many sub branches of mundane astrology depending upon its application named political astrology, astro-meteorology, astro-economics or economic astrology; etc.

3. **Judicial Astrology**
   - Judicial Astrology is also known as interrogatory astrology or elective astrology. It deals with specific predictions or analyses about the individual's objectives or events within the subject's life based on chart casted for the moment when a question was asked.

**ABOUT INDIAN VEDIC ASTROLOGY**

The origin of Indian Vedic Astrology lies in ancient Vedas, the oldest scriptures known to exist more than five thousands year back. It is considered as an original form of astrology which gradually spread by diffusion into other culture like Western, Chinese, Persian, Islamic, Egyptian; etc. It is based on spiritual principles of Vedas and sidereal zodiac, which is more accurate and scientific than tropical zodiac followed by other forms of astrology. It is considered as most scientific approach of astrology covering connection between the microcosm and the macrocosm.

According to Indian Vedic Astrology, movement of planets at defined speed into different places of zodiac signs (Raashee), lunar mansions (nakshatra), kala, vikala etc. during different time i.e. days, tithis, karana etc. are cyclical movements and predictions which are based on planetary positions into 12 Bhava of horoscope and present and future position of planet into zodiac.

The position of Zodiac is constant while the planets are continuously changing their positions in zodiac of 360 degree and they are situated at different angles. As per the principles of Indian Vedic Astrology, some specific combination of planets with zodiac signs, Nakshatra, Bhavas have effect on human behavior, economy, social situations, agricultural output, rainfall, political environment etc.

The performance of business is affected by opportunities and threat of external business environment which is related with economic, political and socio cultural phenomena. Hence, planetary positions are related with outcome of business environment and thereby to performance of the business. The performance of the business will reflect in valuation of business which is finally replicated in prices of shares traded in stock market. Hence by this way, some association may exist between planetary positions and movement in prices.

Here, astro-economics, which is part of mundane astrology branch, is coming into the picture. Economic astrology or astro-economics is explained as follow:
ABOUT ECONOMIC ASTROLOGY/ASTRO-ECONOMICS

Economic astrology is popularly known as astro-economics which deals with the effects of positions of planets on different economic factors at macro and micro level. The equity market or share market is part of macro economy where shares of different companies are traded. Therefore, following two sub-divisions of economic astrology is explained which is related with economy.

1. Corporate or Business Astrology
2. Financial Astrology

Corporate astrology or Business Astrology is the application of astrological principles to the companies, firms, institutions, organizations; etc. The astrology or individual astrology is generally related with how the planets impact individuals’ personalities and events associated with them, while it differs from the business astrology where business identifies the impact of planets and astrological conditions of functioning and prosperity of a business and thereby its owner(s).

ABOUT FINANCIAL ASTROLOGY

"Anyone can be a millionaire, but to become a billionaire, you need an astrologer"
—J. P. Morgan, Founder of the Morgan Bank.

Financial Astrology is an art and science of prediction prices in stocks or commodities or foreign exchange price based on planetary situation, situation of stars and signs. Financial astrology uses astronomical data to explain and forecast the behavior of the financial markets. It is also the practice of relating the movements of celestial bodies to events in the financial markets. Thus, financial astrology is a branch of astrology which is concerned with capital market, especially secondary market, where stocks, currency and commodities are traded. It assists an investor in the process of investment management in selection of risky securities from secondary market segment of stock or share or equity market, commodities market and currency market which involve high risk and return.

The astrology works on premises that all day to day activities in this universe including stock market are influenced by movement of planets & nakshatras in the zodiac signs. In general, astrology predicts the human behavior and events related with future. On the other side stock market also runs on future expectation of human being from economy, industries and companies. And therefore, scope of astrology also covers prediction of different aspects of economy, industries and companies which is ultimately run by the human beings and for human beings. Thus there is a correlation between astrology and stock markets. As per the principles of Indian Vedic Astrology, planetary positions have certain effect on human behavior, economy, social situations, agricultural output, rainfall, political environment; etc. And by this way, it may have some association with movement in prices. The theory of financial astrology deals with this. Since, planetary positions into zodiac signs are exactly predictable based on mathematical calculations, one can predict its possible impact on stock price movement during that time.

Another reason why financial astrology works is that it is a study of economic cycles with planetary cycle. It has been proven fact that the economy, industry and business are following certain economic cycle. This economic cycle, popularly known as the fourfold
movement of an economic cycle consists of four phases. They are Revival, Expansion, Recession and Contraction. So, the price of stocks, commodities and currencies are affected by this fourfold economic cycle. And therefore, the return on investment in the respective market is also affected by the same economic cycle. Therefore, stock prices also follow certain trend and it is predicted by observing and identifying a repetitive pattern of waves. This principle was concluded by Elliot in his very much popular theory known as Elliot Wave theory which is widely practiced by investment managers for managing their portfolio. In fact, Elliot believed that all of man's activities, not just the stock market, were influenced by these identifiable series of waves.

Financial astrology follows the same principles with premises that this economic cycle is influenced by planetary movement which is also cyclical in nature. And therefore, different economic phases and its impact and outcome on industry and companies are also influenced by planetary movement. So, it is predicted by using astrological principles. For example, as per western astrological research initiated by legendary trader William Gann and followed by many others, the Jupiter-Saturn cycle of 19.86 years coincides with the change of market emphasis about every 20 years. The Jupiter-Uranus cycle, which lasts 13.81 years, has been correlated with a change of methodologies employed by market analysts and investors. The Saturn-Uranus cycle of 45 years has been shown to coincide with periods of business boom or bust. Mr. Henry Hall, in his recent book devoted much space to 'Cycles of Prosperity and Depression' which he found recurring at regular intervals of time. The mathematical laws which have been applied in Zodiac Stock Market Astrology will give these cyclical swings, identifying the primary, secondary and tertiary trends. There is much other evidence based on research available which states that planetary cycles based on western astrology do influence economic cycles. However, all these research evidence are belonging to western countries. There is no significant research based empirical evidence in India showing the same fact. However, principles of Indian Vedic astrology lies in our ancient Vedas, acknowledge the same facts with much more detail explanation. As per principles of Indian Vedic Astrology, every planet represents different sectors and parts of economy and based on positions of planets in zodiac, the trend and cycle will be predicted in different sectors and parts of economy.

Thus, financial astrology suggests that at what time one should take trading positions either by buying or selling of shares in stock market or commodities or currency in respective market. Time is the essence of everything. Hence doing RIGHT THING at RIGHT TIME is the key to success. In stock market, entry and exit at right time is the key to earn healthy profit which is suggested by financial astrology.

Financial Astrology – How it works?

There are different approaches of financial astrology depending upon the methods that a financial astrologer is using. Different financial astrologers use and interpret different astronomical data to suggest in taking investment decisions. Thus, depending upon the way of operation, financial astrology, specifically related with stock market, is operating at:

- Micro level which is based on horoscope of investor and the horoscope of company and its promoters to understand its impact on strength and weakness of company and investor and his/her behavior and destiny.
- Macro level which is based on planetary position as per astronomical calendar into zodiac and its impact on economic cycle which in turn affects the industry performance and thereby performance of share prices and return.
UTILITY OF FINANCIAL ASTROLOGY IN STOCK MARKET

As mentioned in different approaches of security analysis, financial astrology is one of the approaches of security analysis which will assist investors/investment managers in selection of securities. At present, Fundamental and Technical analysis are two popular and widely used approaches for security analysis in process of investment management. Fundamental Analysis of stock suggests investors/investment managers that what to buy. Technical Analysis focuses on deciding entry level and exit level which will give maximum return at given level of risk tolerance. The art and science of financial astrology answers to investors or investment managers at what time one should trade. It also suggests the tentative trend in prices for any future reference time period. Thus, financial astrology is concerned with timing of trade which is essence for any profitable trading activities.

For many times, it was observed in stock market that prices of shares in a particular sector move up for a particular period even though they don’t have any fundamental support and technical indicators of bullish trend. Similarly, prices of shares in a particular sector don’t rise for a particular period even though they have favorable fundamental support like favorable results of company, positive announcements by the government; etc and technical indicators of bearish trend. This situation may be because of planetary positions related with stock or sector. Thus, financial astrology assists in identifying the strength and gravity of trend in stock price. It also gives advance indication of trend reversal. Thus, by using financial astrology, investor or investment manager may choose the best industry, the best company to trade in chosen industry and the best timing the trade.

Financial astrology assists investors/investment managers to ascertain when a stock price will increase or fall, month by month or during a certain future time period, from the planetary configurations. However, it doesn’t answer the question that by what degree stock price will rise or fall? Thus, it fails to estimate the exact points by which it will rise or fall. The fundamental analysis and technical analysis answers this issue. It helps investors/investment manager to estimate the degree of rise or fall in prices. Therefore, it is strongly recommended by researcher and traders of stock market to use financial astrology as a blend of Technical Analysis & Fundamental Analysis. The use of astrology for choosing stocks should always be combined with the knowledge of what is happening to the market in general with fundamental and technical indicators. The combined approach of financial astrology with fundamental analysis or technical analysis or both minimize the possibilities of loss making trade and hence improve profitability by reducing risk level. So, financial astrology should be viewed as an adjunct to the resources of fundamental and technical analyses to improve accuracy in trade and increase return on speculative or long term investment.

Thus, the area of financial astrology is an integration of two district and independent disciplines viz. Finance, a derivative of Economics and Astrology. The following flow chart is an effort towards concluding the concept of financial astrology from its grass roots.
SCOPE FOR RESEARCH

The area of financial astrology which is based either on our Vedas or on western astrological principles is not widely followed or explored in India due to lack of appropriate research work. There are many evidences that empirically criticize the efficient market hypothesis and prove that calendar/seasonal anomalies exist in the stock market return and volatility across the world. There are literatures be evidence for that the stock return as well as volatility is influenced by many calendar events like Weekend effect, Day of the Week Effect, Month of the Year effect, festival effects etc. It signifies that stock price movements are not random.

Chzanowska Bowles & Jane Bowles (1994) concluded that for US economy, the sign position of the lunar nodes is important. Apart from that Jupiter, Saturn, Sun, Neptune and Pluto is having significant effect on US Economic indicators and stock return.

N. Shiva Kumar & Sathyanarayana (2007) conducted research on impact of ‘Rahu Kala’ (An astrological event) on Stock market activity and movement of the prices in stock market. Surendra Sinha (1996), Umesh Puri (2004) and Dr. Ajay Jain (2006) published their observations about effects of planetary positions on stock market on Indian Stock Market. However, they based on astrological properties of planetary positions. Apart from this, there are substantial evidences available which states that stock prices movement in all the major countries of different continents are influenced by lunar cycle.

Thus, literature shows the evidences related with financial astrology which state the effects of events based on movement planets on stock market. However, there are not strong evidences for research which trace utility of Indian Vedic Astrology into price perdition, especially in India. Therefore, there is lots of scope for research in this unexplored area. The researcher may undertake the research to find out effect of planetary position into signs and/or nakshatras and/or tithis and/or other all other aspects of “Panchang” on price movement and volatility of prices of shares, commodities and currencies. Research can be undertaken to test validity of astrological properties and rule of different planetary conjunctions and its impact on price movement. Over an above, research can be undertaken to trace effect of some important astrological event like Eclipses, Panchak, Rahukal etc. on risk and return of the securities.

REFERENCES

Books


Research Papers & Articles


