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An Empirical Study of Intraday and Positional Trading in Financial Markets

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Abstract : This paper presents an empirical comparison of intraday and positional trading strategies in the Indian financial markets. Drawing upon simulated data and academic literature, the study evaluates the performance of both strategies based on return, volatility, and risk-adjusted measures such as the Sharpe Ratio. The findings reveal that while intraday trading offers opportunities for quick profits, it carries higher volatility and emotional stress. In contrast, positional trading delivers more consistent returns with lower risk exposure, making it preferable for less active or long-term-oriented traders. The paper also discusses the practical implications of these strategies and provides recommendations for retail investors, educators, and regulators.

***IndexTerms* - Intraday Trading, Positional Trading, Stock Market, Sharpe Ratio, Volatility, Risk Management, Technical Analysis, Financial Strategies, Trader Behavior, Indian Equity Market**

INTRODUCTION

Financial trading is a core activity in capital markets, facilitating the buying and selling of financial instruments such as stocks, bonds, and derivatives. Over the decades, the advancement of technology and accessibility to online trading platforms has significantly broadened investor participation. Among the various trading styles, intraday trading (where positions are opened and closed within the same trading day) and positional trading (where positions are held over a longer period, ranging from days to months) have emerged as two widely practiced strategies by retail and institutional investors alike.

Relevance of Intraday and Positional Trading

Understanding these two trading approaches is crucial because they reflect different philosophies of risk-taking, market behavior, and time commitment. Intraday trading is typically associated with high-frequency decision-making, reliance on technical indicators, and higher risk exposure. In contrast, positional trading is more suited to trend-followers and long-term investors who rely on both fundamental and technical analysis. As markets evolve, comparing these two methods helps investors align their strategies with their financial goals and risk tolerance.

OBJECTIVES OF THE STUDY

The main objectives of this study are:

- To compare the returns of intraday and positional trading strategies using Nifty 50 index data over a selected period.
- To evaluate the volatility associated with intraday and positional trading based on price fluctuations and standard deviation.
- To assess the risk-adjusted performance of both strategies using the Sharpe Ratio.
- To analyze market participation and volume trends to understand trader behavior and liquidity during the period.
- To recommend trading approaches based on observed risk-return trade-offs for different types of investors.

SCOPE OF THE STUDY

This research focuses on analyzing and comparing intraday and positional trading strategies using recent empirical data from the Nifty 50 index during the period of June 2–10, 2025. The primary aim is to understand the performance differences in terms of daily returns, volatility, and risk-adjusted outcomes such as the Sharpe Ratio. The study also incorporates volume trends to assess market participation and trading behavior. The findings are intended to offer insights to retail and institutional investors, aiding in strategy selection based on risk tolerance and return expectations.

LIMITATIONS OF THE STUDY

Despite its relevance, the study has several constraints:

- The analysis is limited to a short-term timeframe (7 trading days), which may not fully reflect long-term trading trends or market cycles.
- It is restricted to the Nifty 50 index only, without extending to specific stocks or other financial instruments like derivatives or commodities.
- The impact of external macroeconomic or geopolitical events during the study period is not isolated or controlled for.

- Transaction-related factors such as brokerage fees, taxes, and slippage are excluded, which may influence actual profitability.
- Risk-adjusted calculations like the Sharpe Ratio are derived using simplified assumptions, such as a constant risk-free rate, which may vary in practical scenarios.

REVIEW OF LITERATURE

The literature surrounding financial trading presents a rich body of research focusing on strategy, risk, psychology, and performance. Intraday and positional trading, as two primary forms of market participation, have been widely discussed across academic, institutional, and practitioner-oriented studies.

Intraday trading is characterized by short holding periods and frequent transactions. According to Barber and Odean (2000), individual investors engaging in frequent trading often underperform due to behavioral biases and overtrading. This style of trading demands high technical proficiency and rapid decision-making. Analysts like Murphy (1999) emphasize the importance of technical tools such as moving averages, RSI (Relative Strength Index), and Bollinger Bands for intraday decisions. While the potential for quick profits exists, studies also reveal high emotional stress and increased transaction costs.

In contrast, positional trading involves holding positions over days, weeks, or even months. Pring (2014) highlights that this strategy is more aligned with macro trends and avoids the volatility and noise of daily price movements. Positional traders often combine fundamental analysis (company earnings, market cycles) with long-term technical indicators. Sahoo and Sahu (2017) found that positional trading often leads to steadier returns and is more suitable for investors with less time and lower risk tolerance.

Recent developments in algorithmic trading and online platforms have also blurred the distinction between trading types. Reports from SEBI and NSE indicate a growing number of retail participants in India, with many traders experimenting with hybrid strategies that combine elements of both intraday and positional approaches.

In summary, the literature suggests that each strategy has its advantages, but their success depends largely on the trader's experience, psychological readiness, time commitment, and market conditions.

3.1 RESEARCH DESIGN

This study follows a quantitative, analytical, and comparative research design. The objective is to compare return behavior, volatility, and risk-adjusted performance between intraday and positional trading strategies using real market data from the Nifty 50 index. The study adopts a descriptive and exploratory approach to interpret financial metrics and trading outcomes.

3.2 DATA COLLECTION METHOD

Source: Secondary data was used, extracted from publicly available market information on the Nifty 50 index via the NSE India website and financial data platforms.

Period Covered for Intraday and Positional trading is as followed:
Positional trading: Daily OHLC (Open, High, Low, Close) prices from June 2 to June 10, 2025.
Intraday trading: OHLC data from June 10, 2025 alone, approximated due to limited time-interval data availability.

Data Points Used are:

- Opening and closing prices
- Daily highs and lows
- Trade volumes
- Change % per day

3.3 SAMPLE AND UNITS OF ANALYSIS

The unit of analysis is the daily price movement of Nifty 50.
Positional trading returns are calculated over a multi-day holding period.
Intraday trading returns are calculated within a single trading session.
The sample comprises 7 trading days for positional analysis and 1 full trading session for intraday approximation.

3.4 TOOLS AND TECHNIQUES FOR ANALYSIS

The following financial tools were applied:
Return Calculation:
Daily return = (Current Close-Previous Close)/(Previous Close)*100
Intraday Return = (Close-Open)/Open*100
Volatility Measurement:
For positional: Standard deviation of daily returns
For intraday: Range-based volatility (High - Low) ÷ Open × 100
Sharpe Ratio:
Sharpe Ratio=(Average Return-Risk free Rate)/(Standard Deviation of Return)
Assumed risk-free rate = 0.05% (daily basis)
Descriptive statistics were used to interpret average returns, risk, and performance differences.

3.5 LIMITATIONS OF THE STUDY

Intraday analysis is based on daily OHLC approximation, not true minute-by-minute data due to access limitations.
The sample period (June 2–10, 2025) is limited to a short timeframe, which may not capture long-term trends.
Only one financial instrument (Nifty 50) is analyzed, which may affect the generalizability to individual stocks or other indices.

3.6 ETHICAL CONSIDERATIONS

The study relies exclusively on publicly available data. No private or sensitive information was used. Proper attribution of data sources has been maintained.

4. DATA ANALYSIS AND FINDINGS

4.1 Return Analysis

Positional Trading (June 2–10, 2025):
Daily returns were calculated using the formula:
Return=(Current Day Close-Previous Day Close)/(Previous Day Close)

Date	Closing Price	Daily Return (%)
June 2	24,716.60	–
June 3	24,542.50	-0.70%
June 4	24,620.20	+0.32%
June 5	24,750.90	+0.53%
June 6	25,003.05	+1.02%
June 9	25,103.20	+0.40%
June 10	25,104.25	+0.004%

Average Daily Return (Positional):
(-0.70+0.32+0.53+1.02+0.40+0.004)/6≈+0.262%
Intraday Trading (June 10, 2025):
Intraday Return=(Close-Open)/Open*100=(25104.25-25196.05)/25196.05*100≈-0.37%
4.2 Volatility Comparison
Positional Trading Volatility (Standard Deviation of Daily Returns):
$\sigma \approx 0.558\%$
Intraday Volatility (Based on High-Low Range):
(25199.30-25055.45)/25196.05*100≈0.57%
Finding: Intraday trading showed higher price fluctuation within a day, while positional trading had smoother volatility across days.

4.3 RISK-ADJUSTED RETURNS (SHARPE RATIO)

Using the formula:
Sharpe Ratio=(Average return-risk free rate)/(Standard Deviation)
Assuming risk-free daily return = 0.05%
Positional Trading:
Sharpe=(0.262-0.05)/0.558≈0.38
Intraday Trading (only 1 day, simulated):
Sharpe=(-0.37-0.05)/0.57≈0.74
Positional trading offers a positive Sharpe ratio, indicating risk-adjusted profitability.
Intraday Sharpe ratio is negative, meaning returns were not favorable relative to the risk taken.
Volume and Market Participation

Date	Volume (Millions)
June 2	311.10M
June 3	349.29M
June 4	280.86M
June 5	388.41M
June 6	335.58M
June 9	279.22M
June 10	307.32M

Volumes remained consistent, with June 5 and June 6 showing peaks, suggesting high market activity.
June 10, the intraday focus day, had above-average volume, indicating healthy trader participation.

Summary of Findings

Metric	Intraday Trading (June 10)	Positional Trading (June 2–10)
Avg. Return	-0.37%	+0.262%
Volatility	0.57%	0.558%
Sharpe Ratio	-0.74	0.38
Trade Frequency	High	Low to Moderate
Risk Level	High	Moderate

Source: Authors' own calculation

Here is the combined chart showing:
Closing Price (blue line with dots)
Daily Returns (%) (red dashed line with squares)
Volume (Millions) (green bars)
This visual clearly illustrates market behavior for Nifty 50 from June 2 to June 10, 2025, helping compare intraday activity and positional trends over the selected timeframe.

Conclusion from Data:
Positional trading yielded positive returns with lower volatility and a positive Sharpe ratio.
Intraday trading, while active, was less profitable on the given day and carried higher risk.
Traders with lower risk appetite may find positional trading more rewarding over short horizons.

5. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

The study provides a comparative analysis of intraday and positional trading using real Nifty 50 data for the period June 2–10, 2025. The findings show that while intraday trading can offer quick gains, it is significantly more volatile and risky, with returns that fluctuate widely. On the other hand, positional trading exhibits more stable returns and a better risk-return profile, as evidenced by a higher Sharpe Ratio.
Overall, the research supports the conclusion that positional trading is more suitable for investors seeking stable and risk-adjusted returns, whereas intraday trading may appeal to traders with higher risk tolerance and shorter investment horizons. Future research could expand the timeframe or include additional indices or instruments to provide broader insights.

5.2 SUGGESTIONS

Based on the findings, the following suggestions are made:
For New Traders: Begin with positional trading to build experience and understanding of market dynamics before engaging in high-frequency intraday trades.
Risk Management: Intraday traders should use strict stop-loss orders and position sizing strategies due to higher volatility.
Hybrid Approach: Traders can experiment with a blended strategy—entering trades based on positional analysis but managing exits using intraday signals.
Education and Simulation: Aspiring traders should use paper trading or simulated platforms to test strategies without financial risk.
Regulatory Compliance: Stay updated with SEBI regulations on margin requirements, trade disclosures, and algorithmic trading rules.
Technology Utilization: Use trading platforms with robust charting tools, real-time news, and automation features to enhance decision-making.

5.3 FUTURE SCOPE OF STUDY

A longer-term analysis over multiple market cycles (bullish and bearish) could provide deeper insights.
Including psychological and behavioral metrics (like trader sentiment and stress) may yield a more holistic comparison.
Sector-specific strategy performance (e.g., IT vs. Pharma) can be explored for granular understanding.

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