

**A STUDY OF THE INDICATORS
SEPARATING BUBBLE RUN-UPS FROM SELL-OFFS IN THE INDIAN
STOCK MARKET**

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ABSTRACT

This paper examines the possibility for investors making extra profit from bubbles in the Indian stock market. We use two main indicators (a) asset centrality and (b) relative value. Asset centrality signals crowded trading which is associated with the formation of a bubble. Relative value separates the crowded trading during the bubble run-up from crowded trading during the sell-off. We observe whether these measures can detect the cycle of bubbles in each sector of the Indian stock market for the period 2004-2019. Using these concepts investors or portfolio managers can make extra profit by entering during the run-ups and exiting before the sell-off starts.

Keywords: Stock market bubbles; asset centrality; crowded trading; relative values

JEL Codes: G11, G12, G14, G17