

EXPRESS ANALYSIS OF SECURITIES QUALITY WHEN TAKING INVESTMENT DECISIONS IN REGIONS WITH TRANSITION ECONOMY

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Abstract: *The article is devoted to the development of methodological tools to estimate the quality of securities when taking investment decisions. The article considers the notion of "express analysis of the securities quality", as well as basic indicators and coefficients that ensure its operational efficiency and veracity. It shows theoretical basis of the analysis of portfolio investment objects, including the essence and structure of fundamental and technical analysis. It researches the experience of practical application of basic types of pre-investment analysis taking into account their benefits and disadvantages. The application of comprehensive approach to its conduction is rationalized. It specifies the importance of providing objectivity and speed of the analysis of the securities quality, especially in regions with transition economy. It singles out criteria to estimate the quality of security assets formalized in three groups of indicators. It offers the methodological approach. Its peculiarity is taking into account not only the reliability of the enterprise as a whole but also the reliability of the issuer in terms of the return of funds invested by the investor in its securities, as well as in terms of the guarantee to get the income by the investor on specific securities of this issuer. The above methodology has been duly approbated and implemented in the academic activity.*

Keywords: *Security, pre-investment analysis, financial statement, issuer's state, express-analysis, portfolio investments, fundamental analysis, technical analysis, comprehensive approach, investment decision.*

1. INTRODUCTION

When estimating the investment attractiveness of equity instruments, two fundamentally different but interrelated approaches have been formed. According to the first one, the investment characteristic of a security is defined on the basis of the data about the issuer's financial and economic position, the industry it belongs to, etc. The second approach estimates

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investment objects in terms of their market environment taking into account the dynamics of rates. This is how two basic areas in the analysis of the stock market - schools of fundamental and technical analysis - have been formed historically.

The uniqueness of the capital market instruments stipulates a strong impact of fundamental factors when taking investment decisions. These factors are referred to the economy as a whole and to a specific industry or company. Of course, it is possible to say that the indicators of securities belonging to a specific company basically depend on indicators of the company operation itself. However, since any enterprise is a part of the industrial and business sector that in its turn is a part of the economy as a whole, industrial and general economic factors can also have impact of investment decisions. That is why it is reasonable to start selecting the object of investments from the fundamental analysis when the general economic environment, indicators of the industry and specific enterprise are studied before taking an investment decision (Suresh 2013).

Technical analysis has been a part of the financial practice during many decades. However, this direction has not been as academically studied as some other approaches, for example, fundamental analysis. One of the main obstacles of the further development of technical analysis is its extremely subjective character. It is more often focused on the expected changes of quotations. It mainly causes the subjectivity of estimating investment features of financial instruments.

The modern market of securities, especially in regions with transit economy, is characterized by the changeability and indefiniteness. It considerably decreases the efficiency of technical analysis. Herewith, the need in the swiftness and operational efficiency, and safety of the taken investment decisions considerably increases. Thus, today this is a rather urgent task to develop and apply express method of fundamental analysis of securities quality based on the typical financial statement of their issuers that is available for potential investors and rationally supplement opportunities of technical analysis.

2. METHODOLOGY AND THEORETICAL FUNDAMENTALS OF ANALYSIS IN CASE OF PORTFOLIO INVESTMENTS

As it has been stated above, by the present time the international practice has formed two basic directions in the analysis of the stock market. The followers

of the first direction have established a school of fundamental analysis, and the followers of the second one have created a school of technical analysis.

Fundamental analysis is based on estimating the issuer, its income, position on the market, volume of sales, structure of assets, and liabilities of the company. Herewith, the standard of profit is calculated per own capital and other indicators that characterize the efficiency of the economic entity's activity. The initial database for such analysis includes balance sheets, profits and losses accounts, and other financial statements of the company. Besides, the practice of the company management and the structure of its managing bodies are studied. Based on using the classifiers of the industries according to the level of business activity and according to the development stages, data about the state of affairs in the industry is analyzed. Qualitative analysis of the development of the industry and markets that the company enters as a seller or a buyer is made.

These numerous and rather difficult researches allow to make the conclusion whether the market price of the security of a specific corporation is overstated or artificially low as compared to the real price of assets, future profits, etc. Thus, the fundamental analysis helps to predict the income. It defines the future price of the share and consequently can influence its price. Based on this, recommendations related to the reasonability of purchases or sales are given.

Fundamental analysis in countries with the developed market economy is widely used when implementing various methodologies of the rating estimation of corporations in various industries and social areas. Thus, the results of the fundamental analysis also become the goods of the stock market and are sold in the form of bulletins, reports, etc. to the interested members of the market.

Characterizing basic elements of the fundamental analysis structure, it is possible to single out its following stages:

1. *General economic (macro-economic analysis)* General estimation of the state of national economy according to the following factors: GDP, inflation, interest rates, currency risk, etc. Fiscal and monetary policy of the government and its impact on the stock market are taken into account. Thus, general social and political, and economic climate of the investment activity in the country is defined.
2. *Industrial analysis* assumes studying the business cycle in the economy, its indicators, classification of industries according to the level of business

activity and stages of the development, as well as qualitative analysis of the industry development.

3. *Analysis of a specific enterprise (firm, corporation)* includes the analysis of the state and perspectives of the management development, organizational and commercial terms and conditions of work; analysis of financial state of the company, paying capacity, financial stability, and determining the company price.
4. *Modelling the price of securities* is performed taking into account all data specified above and environment of the stock market that complies with the regulations of demand and supply.

Thus, it is obvious that predictions of the fundamental analysis must be checked by using mechanisms of the stock market, because it is only the stock market where under the impact of real demand and supply the actual price of any security is determined. It is true the same as the fact that practice is the truth criterion. This is how the fundamental analysis is related to the technical analysis.

Technical analysis, unlike fundamental, assumes that all numerous fundamental reasons are summarized and reflected in prices of the stock market. The basic provision the technical analysis is based on lies in the fact that the market rates movement already reflects all information published in financial statements of the firm. The basic object of the technical analysis is demand and supply of securities, and dynamics of rates and volumes of the operations related to their purchase and sale.

The technical analysis of the securities market is based on three fundamental principles – reflection, trend, and repetitiveness.

1. *Reflection principle* means that all the events (economic, political, social, psychological, etc.) that take place are reflected in prices. In other words, prices of financial assets are changed under the impact of the most comprehensive combination of areas of the human life including the ones that cannot be expressed in a qualitative manner (mathematic description) in advance. The difference of the balance and market price of securities can serve as an example to this.
2. *Trend principle* reflects the fact that prices of financial assets always change in accordance with the definite prevailing direction. These directions that can be defined are a “normal description” of the market. The trend is created due to the relatively stable tendencies of changes of the demand and supply correlation, and remains stable until opposite

tendencies occur. In the market history spontaneous ups and downs of prices play less important role as compared to the trends. It contributes to the increase in the veracity of the technical analysis results. Thus, revealing the trend and the moment of its change is the main goal of the technical analysis. Following the definite trend, it is possible to considerably increase the probability to obtain positive result from the performed operations.

3. *Repetitiveness principle* is based on revealing typical model situations that repeat on the market from time to time. These models help to interpret the changes that have already occurred, and predict future movements of prices. The practical importance of this principle for the technical analysis is obvious. It provides the opportunity to use in various situations the experience that has been acquired earlier. The human nature is such that as a rule people act in accordance with the experience they have already acquired. Any market is nothing more but the result of people's actions that reflect their behavior. That is why the securities market is objectively apt to repetitiveness, and the task of the technical analyst is to monitor these repetitions and make relevant conclusions.

Based on the basic principles of the technical analysis described above, it is possible to give its detailed definition.

Technical analysis is a combination of methods used to analyze the dynamics of quotations of separate securities and all market as a whole on the basis of demand and supply that are continuously changed.

In practice it means monitoring and interpreting the history of changes of price and volume indicators that characterize the processes occurring on the market.

Technical analysts base their predictions on the close relationship between the price changes of the past and the future. Herewith, their goal is to define the level and form of this interrelation and, being based on them, to predict the increase and the fall of the rate of both separate securities and the market environment as a whole.

The basic method used by technical analysts is the composition of "pictures" and graphs of prices movement.

Graphs that are the most often used in technical analysis are called "High-low Graph" and "Closing Price Graph".

Undisputable advantages of the methods of technical analysis include:

1. Technical simplicity,
2. Swiftiness of analysis, and
3. Applying a wider range of financial instruments as compared to fundamental analysis.

Nevertheless, the market operators that use only technical analysis cannot predict the change of price of the investment objects in the long-term perspective. As a rule, they operate with the consequence, while fundamental analysts research the reason of phenomena (Galanov and Basov 2006, p. 393-419).

RESULTS OF DEVELOPING METHODOLOGY OF EXPRESS ANALYSIS OF SECURITIES QUALITY

The offered system of express analysis of the securities quality is based on quick and accurate determination of financial stability of their issuer. It is obvious that the enterprise that is economically inefficient and financially unstable can hardly incur its liabilities that are documentarily fixed in the form of its various securities.

Analyzing the balance sheet and the profit and loss account, it is possible to calculate three groups of indicators that characterize the issuer's financial state:

- Indicators of Group 1 characterize the reliability of the enterprise as a whole;
- Indicators of Group 2 define the reliability of the issuer in terms of the repayment of funds invested by the investor in securities of the specific enterprise, and
- Indicators of Group 3 allow to estimate the issuer's reliability in terms of the guarantee of earning income on specific securities by the investor.

We will consider the procedure of calculating the above indicators.

3. INDICATORS OF GROUP 1

3.1 Debt to Capital

This indicator characterizes the relation between the total debt of the enterprise and its total equity:

$$\text{Debt to capital} = \frac{\text{Enterprise's total debt}}{\text{Enterprise's total equity}}$$

Along with this, the closer the indicator value to zero, the more reliable financial state of the enterprise as a whole is.

3.2 Coefficient of Covering Current Obligations with Liquid Assets

This indicator characterizes the correlation between the amount of liquid assets and the amount of current liabilities of the enterprise. It shows the ability of the enterprise to cover its current debts at the expense of assets that can be easily sold without considerable losses.

Liquid assets can include monetary funds on the cash account and bank accounts, liquid securities, receivables that can be repaid within a year and relevant inventories:

$$\text{Coefficient of covering current liabilities with the most liquid assets} = \frac{\text{The most liquid assets}}{\text{Current liabilities}}$$

The higher this indicator, the more reliable financial state of the enterprise as a whole is considered to be.

3.3 Coefficient of Covering Current Obligations with the Most Liquid Assets

The most liquid assets include the part of assets in the balance sheet that can be converted into money most easily.

$$\text{Coefficient of covering current liabilities with the most liquid assets} = \frac{\text{The most liquid assets}}{\text{Current liabilities}}$$

The reliability of the financial state of the enterprise as a whole is also directly proportional to the amount of this indicator.

4. INDICATORS OF GROUP 2

4.1 Coefficient of Bonds Covering

The assets that secure bonds include a part of the total amount of the enterprise assets that remain after deducting losses, shareholders' debts related to equity payments, amounts of non-material assets, budget and labor payment calculations.

The amount of the bonded loan can be defined as an amount of the nominal cost of all bonds that have been issued and have not been paid off by the enterprise.

$$\text{Coefficient of covering bonds} = \frac{\text{Assets securing bonds}}{\text{Bond debt amount}}$$

The higher the value of this coefficient, the more reliable investments in bonds of this enterprise are.

4.2 Coefficient of Covering Preferred Shares

This coefficient is defined as a ratio of net assets defined according to the balance sheet of the enterprise and its preferred shares.

$$\text{Coefficient of covering preferred shares} = \frac{\text{Net assets}}{\text{Preferred shares amount}}$$

With the increase in the value of this coefficient, the reliability of investments in the preferred shares of this enterprise increases.

4.3 Coefficient of Ordinary Shares Covering

This indicator shows the amount of assets in their absolute term that is accrued to one ordinary share.

$$\text{Coefficient of covering ordinary shares} = \frac{\text{Assets securing ordinary shares}}{\text{Amount of issued ordinary shares}}$$

The assets that secure ordinary shares can be calculated as the difference between the amount of net assets and the amount of nominals of the privileged assets issued by the enterprise.

The reliability of investments in this type of securities is also directly proportional to the amount of the calculated coefficient.

5. INDICATORS OF GROUP 3

5.1 Coefficient of Covering Interest Payments on Bonds

This coefficient is defined as the ratio of the net income of the enterprise to the amount of the bonds interest payments.

Herewith, the amount of bonds interest payments is equal to the coupon rate multiplied by the amount of the bond debt and divided by 100%.

$$\text{Coefficient of covering bonds interest payments} = \frac{\text{Net income}}{\text{Amount of bonds interest payments}}$$

The higher the amount of this coefficient, the higher the probability of timely and full bonds interest payment is.

5.2 Coefficient of Covering Dividends for Preferred Shares

This coefficient shows how many times the net income (deducting bonds interest payments) surpasses (or does not surpass) the total amount of dividend payments on the preferred shares that the issuer promises to pay.

$$\text{Coefficient of covering dividends for preferred shares} = \frac{\text{Net income minus amount of bonds interest payments}}{\text{Amount of dividends payments for preferred shares}}$$

The amount of dividends payments for privileged shares is equal to the relevant fixed rate of the dividend multiplied by the sum of nominals of the privileged shares and divided by 100%.

The increase in this coefficient increases the probability of timely payment of dividends for preferred shares.

5.3 Coefficient of Covering Dividends for Ordinary Shares

This coefficient shows what amount may be paid as dividends per one ordinary share of the enterprise according to the results of the economic activity for the reporting period:

$$\text{Coefficient of covering dividends for ordinary shares} = \frac{\text{Net income minus amount of interest payments for bonds and dividends for preferred shares}}{\text{Amount of ordinary shares}}$$

Taking into account the fact that the rate of the dividend on ordinary shares is not defined in advance and is determined annually by the decision of the general meeting of shareholders, the denominator of this formula defines not the amount of the dividend payments but the number of ordinary shares.

The increase in this coefficient increases the attractiveness of ordinary shares as an object of sale and purchase on the stock market.

It is recommended to analyze the reliability of the issuer's securities based on the calculation of the above indicators by using the table form where it is convenient to estimate absolute indicators in summation and compare them with the data of alternative variants of investing. The use of

the offered system of express analysis of the securities quality will enable the subject of the stock market to increase the operational efficiency and reasonability of the taken decisions minimizing the investment risk.

6. DISCUSSION OF PRACTICAL ASPECTS RELATED TO APPLYING BASIC TYPES OF PRE-INVESTMENT ANALYSIS: BENEFITS AND DISADVANTAGES

A serious disadvantage of the technical analysis is that its successful application requires good intuition based on large practical experience. Without such experience, it is impossible to correctly interpret various graphs, and adequately react to changes of relevant indices and indicators. It is also necessary to note that for the mechanism of technical analysis to normally function, the highly liquid exchange with large volumes of trades is required (Mazay 2013, p. 703). It is hard to comply with both requirements under the conditions of imperfect and forming stock market of regions with transit economy.

Supporters of the technical analysis like today's neo-liberals consider the market to be a universal estimator and regulator. That is why, in our opinion, here it would be possible to take into account the conclusions of the researchers that make a deeper analysis of the reasons of inadmissibility or even simple prevailing of exclusively market approach both to the regulation of the economic system as a whole (Tatarkin 2014) and the estimation of the quality of its separate subjects and financial liabilities emitted by them, and formalized in the form of the relevant securities.

In terms of the aspect we are interested in, the methods to estimate the enterprise price under conditions of the transition economy offered by the author (Kim 2002) are of specific interest. Herewith, benefits and disadvantages of using basic methods of enterprises estimation used in the Russian practice are considered. They include method of discounting monetary flows, and method of analogous companies. Suggestions on their practical application are substantiated.

In our opinion, the variant of the algorithm offered by the author (Chagin 2014) to estimate investment features of financial instruments of the securities market is also worth attention. In order to define the most suitable securities in compliance with the goals, type and preferences of the investor, he used the method of generalization of Zadeh from the fuzzy sets theory. It is offered to use a "Pauk-TsiS" multi-criteria, graphic method of estimation

to improve the demonstrativeness when simultaneously comparing several types of securities according to several parameters.

The authors (Piankov and Simonov 2015) offer a scoring model of the portfolio optimization. It allows not only to form the optimal securities portfolio but also to perform efficient monitoring of changes of the stock market environment. The notion “scoring” set in the basis of this model is a process of estimating, composing the rating and singling out the rating classes of the analyzed objects of the stock market within a homogenous group. Herewith, the comprehensive estimation indicator is calculated for every analysis object. It takes into account quantitative and qualitative factors that influence the quality of the object, and the importance of these factors for the individuals who take investment decisions.

According to the authors (Kukinova and Melnikova 2014), it is possible to successfully manage investment features of securities by using a well-developed trading system. Using active trading systems, it is possible to provide sufficient efficiency of investing and high liquidity of investments.

One more important problem of the countries from the post-Soviet space and regions with the transition economy in general is the lack of proper rating agencies that function efficiently. Serious difficulties occurring thereby and related to the adequate estimation of investment features of securities of national issuers prove the importance of the researches we conduct.

The author of the thesis (Andrianova 2002, p. 5-6) states that the lack of the efficient system related to revealing information about credit risks on the Russian securities market, the probability of defaults of corporate borrowers, weak investment activity stipulate the urgency of the occurrence of conceptual developments in the area of rating securities, and create the problem whose solving is important for the national stock market.

Before making transactions with securities, the investor must estimate their reliability and potential profitability that depend on the correlation of the market and real price of a security, in addition to other aspects. It is possible to estimate the real price of the security by applying fundamental analysis.

Fundamental analysis is closely related to the institutional (it studies legislation, political situation, level of the development of industries, and sectors of economy), financial (it estimates monetary flows), economic (it calculates and analyzes various indicators of financial and economic

activity of the organization), and social (it researches social relations in the society) analyses.

Taking into account a nonstable economic and political situation, it is possible to suppose that more and more investors will appear, and they will need a comprehensive and deep analysis of securities to take rational investment decisions (Zhdanova 2014). Consequently, relevant application programs that automate the process of fundamental analysis on the basis of the available data from annual and quarter balance statements will be in demand (Gladkova, Urtenov and Kovalenko 2013). It is also important to take into account additional features and factors that influence the quality of securities and are taken into account during the pre-investment analysis (Konopleva 2011).

It has been noted over several latest decades that the role of the emotional factor of the market environment increased. It provokes interest among researchers in the processes of taking decisions by real members of the market, including the interest in such attribute of this process as rationality. The rationality category is a key one for the economic theory as a whole and for the financial theory in particular. Herewith, the investor's ability to take rational decisions has always been one of the most disputable issues in economics. There are several interpretations of the rationality. Speaking most generally, the rationality is understood as non-contradiction, feasibility, and internal concurrence. Thus, for the investment decision to be rational, above all, the investor must have a specific method to analyze the data that in his opinion is related to the current events on the securities market, and in addition, a constructive principle to perform investment operations on the basis of the information obtained during the analysis. The interrelated aggregate of both is known to be called the investment strategy (Didenko 2005, p. 71-72).

Since neither supporters of the fundamental analysis theory, nor followers of the technical analysis can enumerate all reasons that influence the dynamics of the securities market, in the authors' opinion (Shorikov and Zenkova 2008), it is reasonable to consider them in terms of the chaos theory. In order to do so, it is recommended to use one of the contemporary approaches to the analysis and prediction of the stock market - fractal analysis. This type of financial analysis is based on the notion "fractal". This is a geometric model that can be divided into parts each of whose is the decreased version (fragment) of the whole. The multi-fractal model of composing prices graphs is worth special attention due to its adequacy to the realities of the securities market. Applying the fractal analysis gives better

results of predicting the expected changes, because it is based on the reflection of the essence of the nature of the stock market movement.

What are the ways to find the optimal combination of fundamental and technical analysis?

The list of shares to be observed above all must of course include shares with good fundamental indicators. However, it is important to remember that in spite of the fact that the shares with strong fundamental indicators have a sort of a "built-in" reason for the growth, it does not mean that they will start growing as soon as you start observing them. It is merely necessary to include them in your list and to observe them every day. Only then, using the technical analysis, it will be possible to define the time that is most suitable for purchasing them.

The fundamental analysis will not prompt you that some shares must be immediately purchased or sold. However, companies with strong fundamental indicators have more favorable investment characteristics. Firstly, as a rule, their securities are more stable than speculative shares, and they also have the potential of a considerable growth in the future. Secondly, the advantage of these shares lies in the fact that under lower volatility it is easier to define key elements for the technical analysis such as entry and exit threshold prices as well as zones of support and resistance. It will make the trade management easier and more predictable (Guide to Fundamental & Technical Analysis 2011).

Companies with a low ratio of fundamental indicators (such as revenues and balance cost) to the market cost are known to systematically bring lower shares income in the future. During the research (Dechow et al. 2001) it was documentarily proved that investors, who speculated on the fall without the coverage, invested in the shares of such firms, and then covered their positions when this relation returned to the average. It was also determined that investors, who speculated on the fall without the coverage, improved their trading strategies to minimize their operational expenditures and maximize their investment profits. Such investors use the obtained data to optimize their decisions about opening positions on shares with the lower incomes expected in the future.

The thesis "Fundamental Equity Valuation: Stock Selection Based on Discounted Cash Flow" (Froidevaux 2004) considered the process of general estimation of securities in terms of behavior. Herewith, the main goal was to value common stocks using a sophisticated discounted cash flow valuation model. As a result of making the relevant model and estimating its input

parameters, an attempt was made to reproduce (as much as it was possible) the behavior of investors when estimating securities on the stock market and then using the combination of various methods to define the increase in monetary flows, and the length of the growth and rate of discounting. The author checked the ability of the model to differentiate under-estimated and over-estimated shares on the American market during the decade since 1993 to 2002. The results obtained thereby are rather promising: the investment strategy related to the purchase of the under-estimated shares revealed by the model had caused the annual income in the amount of 27.57% for the testing period (10 years) in comparison with the benchmark return in the amount of 19.47%. The relevant difference of the profitability in terms of the portfolio of the over-estimated securities revealed by the model made up 6.26%. Thus, it was concluded that the a complex discounted cash flow valuation model would allow to reveal and use systematic under-estimation of financial assets on the stock market.

Researches of foreign authors who made an attempt to answer the question “Does Fundamental Analysis Matter For Foreign Investors?” are of specific interest (Sarac 2007). They set a goal to analyze how purchase and sale transactions made by foreign investors on the Istanbul Stock Exchange are related to the financial indicators of the selected firms. The empirical analysis based on monthly data from January 2000 to April 2006 showed that investment decisions had been taken by foreigners mainly on the basis of the fundamental analysis. Herewith, the most important estimation factor for foreign investors was the issuers’ solvency.

Foreign researchers (Shostak 1997) also speak in favor of the fundamental analysis and criticize the efficient market hypothesis. According to them, basic disadvantages of the efficient market hypothesis (EMH) are related to the disadvantages of long-term competitive theories that focus exceptionally on the results of the balance sheet and ignore the entrepreneurial activity that creates these results. The EMH makes the impression that there is a principle difference between investing on the stock market and investing in business. However, the stock market is not something absolutely isolated. Success or failure of investments in shares ultimately depends on the same factors that determine success of failure of any business. According to the researchers mentioned above, the statistical tests that allegedly prove the EMH provisions are based on the incorrect method and misunderstanding of real reasons of non-stability on financial markets.

Foreign authors (Lo, Mamaysky and Wang 2000) offer the algorithm of systematic automated approach to technical determination of relevant tendencies by using the non-parametric kernel regression. The researchers mention successful application of this method for the technical analysis of a great number of American shares in the period from 1962 to 1996. Having compared unconditional empirical distribution of daily stock returns to the conditional distribution that depends on specific technical indicators such as “head and shoulders” and “double bottom”, the authors determined that during the whole period of the researches the offered calculation algorithms did provide true information about the objects of the technical analysis and thus proved their practical importance.

Emphasizing the need in rational combination of two basic approaches to forming the rational investment strategy, it is possible to come to a natural conclusion: the fundamental analysis allows to answer the question what to buy, and the technical analysis will prompt when to purchase. Herewith, it is important to ensure objectivity and swiftness of the analysis.

7. CONCLUSION

The conducted researches were based on theoretical fundamentals of the analysis of portfolio investments objects and the experience of practical application of basic types of pre-investment analysis taking into account their benefits and disadvantages.

As a result, the developed methodology of express analysis of the securities quality is recommended when taking investment decisions in regions with transit economy characterized by changeability and indefiniteness. It is known to considerably decrease the efficiency of technical analysis and to stipulate the need in both quickness and operational efficiency of the investment decisions that are taken.

The offered methodology of the pre-investment analysis of portfolio investment objects is based on the typical financial statement of their issuers that is available for potential investors and rationally supplements possibilities of technical analysis. The estimation of the securities quality is based on the data of express analysis of their issuer’s financial stability. It is obvious that economically inefficient and financially unstable enterprise can hardly bear responsibility for its liabilities that are documentarily fixed in the form of its various securities.

In order to estimate the investment attractiveness of the securities of a specific enterprise, it is recommended to use a number of coefficients that

characterize its financial stability and economic efficiency. Analyzing the balance sheet and profit and loss account, three groups of indicators that characterize the issuer's financial state are calculated:

- Indicators of group 1 characterize general reliability of the enterprise,
- Indicators of group 2 define the issuer's reliability in terms of the repayment of funds invested by the investor in the enterprise securities, and
- Indicators of group 3 allow to estimate the issuer's reliability in terms of the guarantee of earning income on specific securities by the investor.

The above methodology of express analysis of securities quality has been implemented in the academic process and was approved by the Republic Educational and Methodological Council (REMC) of the T. Ryskulov Kazakh Economic University – the main economic higher educational institution of the Republic of Kazakhstan – as a part of the manual (Dontsov 2006, p. 114-121) for students and Masters of economic specialties.

The authors hope that the research conducted by them and the offered methodology of express analysis of fundamental indicators of the objects of portfolio investment allow to increase the operational efficiency and safety of the investment decisions being taken. They will contribute to more dynamic and efficient development of transition regional economies. In the future it is rational to carry out comprehensive approbation of the offered methodology when choosing specific objects of portfolio investment and taking into account practical experience, and to make all required specifications and corrections.

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