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REVIEWER'S REPORT

Manuscript No.: IJAR-59137

Title: 5% Canary Application: A Tool for Early Warning in 1 Indian Financial Markets.

Recommendation:

Accept after minor revision.

Rating	Excel.	Good	Fair	Poor
Originality	✓			
Techn. Quality	✓			
Clarity	✓			
Significance	✓			

Reviewer Name: Dr. Bishwajit Rout

Reviewer's Comment for Publication.

(*To be published with the manuscript in the journal*)

The reviewer is requested to provide a brief comment (3-4 lines) highlighting the significance, strengths, or key insights of the manuscript. This comment will be Displayed in the journal publication alongside with the reviewers name.

1. **Significance**: This research is significant because it evaluates whether an established market-warning concept can be adapted to major Indian equity indices. By examining historical drawdowns, moving-average confirmations, market corrections, and buying opportunities, the study addresses a practically relevant risk-management problem. Its Indian-market application may extend existing market-timing research and stimulate further investigation into whether early-warning signals behave differently during globally driven and domestically generated financial disruptions.

2. **Strength**: The principal strength is the study's extensive historical examination of three important Indian equity indices alongside multiple market episodes. Combining drawdown frequencies, 52-week-high declines, moving averages, behavioural-finance reasoning, and graphical market-event analysis creates a broad analytical perspective. The manuscript also recognizes that Canary effectiveness may vary according to crisis origin, providing an interesting foundation for more rigorous regime-specific testing and comparative financial-market research subsequently.

3. **Key Insight**: The manuscript's key insight is that a uniform technical warning rule may not perform consistently across differently originated market disruptions. The presented analysis suggests stronger Canary usefulness around internationally transmitted corrections while identifying limitations during India- or Asia-specific disturbances. This distinction is potentially valuable, but it requires formal statistical confirmation. Future analysis should therefore test whether crisis origin significantly explains signal accuracy, subsequent drawdowns, recovery duration, and investment returns.

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The paper titled *"5% Canary Application: A Tool for Early Warning in 1 Indian Financial Markets."* evaluates the "5% Canary" concept as an early-warning tool for Indian equity markets, focusing on Sensex, Nifty 50, and Nifty 500. It examines 5% declines from 52-week highs, the subsequent duration of drawdowns, and recovery patterns to assess the feasibility of "buying the dip." Drawing on prior research while incorporating older theoretical ideas such as brachistochrones, the study aims to generate practical insights for both retail and professional investors. It seeks to improve risk management and investment decision-making by clarifying how such signals behave in the Indian market context.

Suggestions for Improvement:

1. Strengthen the Indian-market research gap with scholarly evidence.
2. Reorganize the introduction around context, unresolved problem, research gap, objective, methodological approach, and contribution rather than descriptive market commentary.
3. Explain why structural differences between American and Indian equity markets could influence Canary performance and therefore justify this replication study.
4. Prioritize peer-reviewed financial literature over explanatory multimedia sources.
5. Establish a clearly documented literature gap demonstrating why existing evidence cannot determine whether Canary signals reliably predict Indian corrections.
6. Explain precisely why principles governing gravitational trajectories should theoretically predict equity-price drawdowns, rather than functioning merely as an illustrative analogy.
7. Provide reproducible algorithms for identifying every Canary event. Specify complete data sources, frequencies, and preprocessing procedures.
8. Apply survival analysis or duration modelling to estimate how long declines continue after Canary triggers and compare recovery-time distributions statistically.
9. Report forward returns across standardized horizons with confidence intervals, medians, volatility, maximum drawdowns, and significance tests following each signal.
10. Explain whether SMA or EMA constitutes the primary specification because switching between them can materially alter identified signals and returns.
11. Add a consolidated event table summarizing every figure's trigger date, confirmation status, maximum subsequent decline, recovery period, and return.

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The manuscript presents an interesting application of the 5% Canary concept to Sensex, Nifty 50, and Nifty 500, supported by extensive historical observations and technical charts. However, substantial revision is necessary before publication. The methodology requires reproducibility, statistical hypothesis testing, benchmark comparisons, robustness analysis, and clearer theoretical justification. Predictive claims should be moderated until out-of-sample evidence confirms effectiveness. Improved literature integration, figure presentation, reference verification, and structured discussion would considerably strengthen scholarly contribution. Addressing the identified weaknesses will make it suitable for publication in IJAR.

I recommend this paper for publication after minor revision.