INTRODUCTION TO STOCK MARKET

Why should one invest??

1.Fight Inflation – By investing one can deal better with the inevitable – growing cost of living **generally referred to as Inflation .**

2.Create Wealth – By investing one can aim to have a better corpus **by the end of the defined time period**

3. To meet life's financial aspiration

Where to invest??

1. Fixed income instruments
2. Equity
3. Real estate
4. Commodities (precious metals)

Types of investment:

1.<u>Fixed Income</u>: This includes FD’s and fixed percentage of return in certain period of time.

2.<u>Equity</u>: This involves buying of shares of various publically listed company through various exchanges.

3.<u>Real Estate</u>: Its investing in apartments , sites and commercial buildings and get rental Income , and capital appreciation

4.<u>Commodities</u> : Investing in precious metals like gold and silver

WHO IS INVESTOR??

An investor is the market participant the general public most often associates with the stock market. Investors are those who purchase shares of a company for the long term with the belief that the company has strong future prospects.

MAJOR INVESTORS:

- **Investment Banks:** Investment banks are organizations that assist companies in going public and raising money. This often involves holding at least a portion of the securities over the long term.
- **Mutual Funds:** Many individuals keep their money in mutual funds, which make long-term investments in companies that meet specific criteria. Mutual funds are required by law to act as investors, not traders.
- **Institutional Investors:** These are large organizations or persons that hold large stakes in companies. Institutional investors often include company insiders, competitors hedging themselves and special opportunity investors.
- **Retail Investors:** Retail investors are individuals that invest In the stock market for their personal accounts. At first, the influence of retail traders may seem small, but as time passes more people are taking control of their portfolios and, as a result, the influence of this group is increasing.

STOCK MARKET TIMINGS :

IN INDIA

⦿ **<u>NORMAL TRADING SESSION:</u>**

- Most of the trading takes place.
- **9:15 AM to 3:30 PM.**
- You can buy and sell stocks in this session.
- Follows bilateral matching session

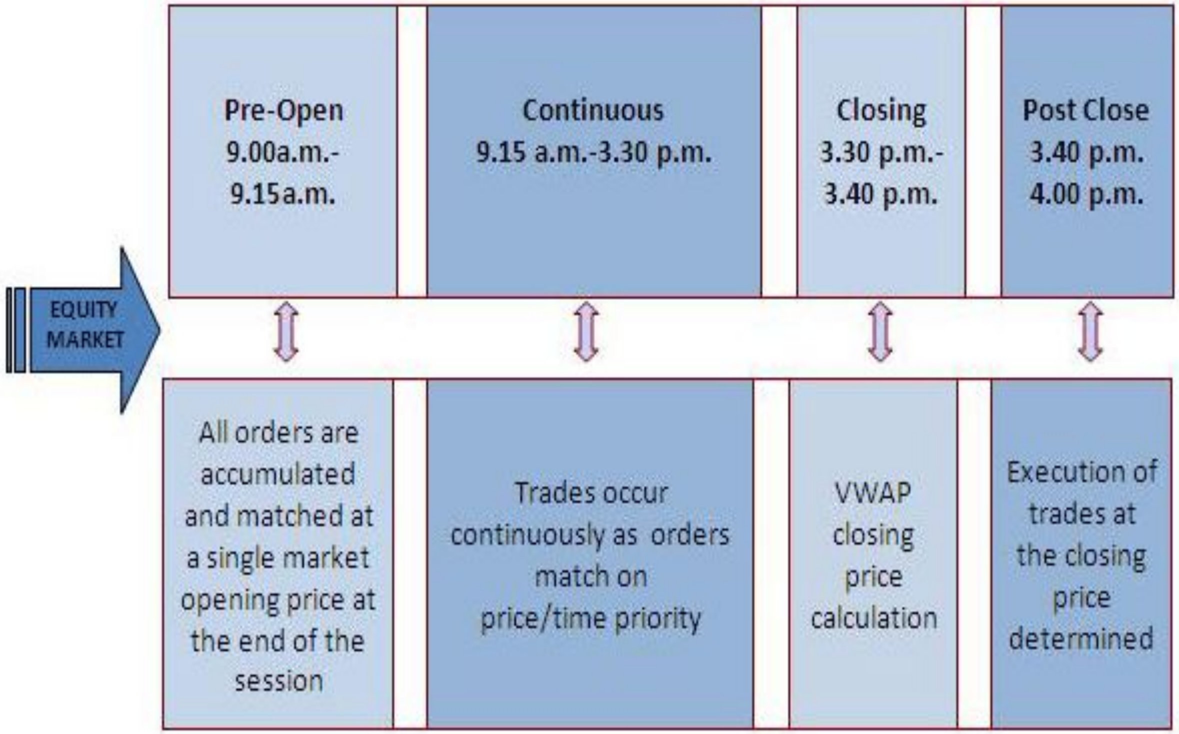
⦿ PRE-OPENING SESSION:

- **9:00 AM to 9:08 AM:**
  - Order entry session.
  - You can place an order to buy and sell stocks in this duration.
  - One can also modify or cancel his orders during this period.
- **9:08 AM to 9:12 AM:**
  - This session is used for order matching and for calculating the opening price of the normal session.
  - You cannot modify or cancel buy/sell order during this time.
- **9:12 AM to 9:15 AM:**
  - This session is used as a buffer period.
  - It is used for the smooth translation of pre-opening session to the normal session.

The time between 3:30 PM to 3:40 PM is used for closing price calculation.

⦿ **POST-CLOSING SESSION:**

- The duration of the Post-closing session is between 3:40 PM to 4:00 PM.
- You can place orders to buy or sell stocks in the post-closing session at the closing price.If buyers/sellers are available then your trade will be confirmed at the closing price.



Overall, the stock market timings in India can be briefed as:

9:00 AM to 9:15 AM	**Pre-Opening Session**
9:15 AM to 3:30 PM	**Normal Trading Session**
3:30 PM to 3:40 PM	**Closing Price Calculation**
3:40 PM to 4:00 PM	**Post-Closing Session**

WHO IS TRADER??

Traders are market participants who purchase shares in a company with a focus on the market itself rather than the company's fundamentals. Markets that trade commodities lend themselves well to traders. After all, very few people purchase wheat because of its fundamental quality: they do so to take advantage of small price movements that occur as a result of supply and demand.

MAJOR TRADERS:

- **Investment Banks:** The shares that are not kept for long-term investments are sold. During the initial public offering process, investment banks are responsible for selling the company's stock in the open market through trading.

- **Market Makers:** These are groups responsible for providing liquidity in the marketplace. Profit is made through the bid-ask spread along with fees charged to the clients. Ultimately, this group provides liquidity for all the marketplaces.

- **Arbitrage Funds:** Arbitrage funds are the groups that quickly move in on market inefficiencies. For example, shortly after a merger is announced, stocks always quickly move to the new buyout price minus the risk premium. These trades are executed by arbitrage funds.

- **Proprietary Traders/Firms:** Proprietary traders are hired by firms to make money through short-term trading. They use proprietary trading systems and other techniques in an attempt to make more money by compounding the short-term gains than can be made by long-term investing.

What is a stock market?

Stock market is where everyone who wants to transact in shares go to. Transact in simple terms means buying and selling. For all practical purposes, you can’t buy/sell shares of a public company like Infosys without transacting through the stock markets. The main purpose of the stock market is to help you facilitate your transactions. So if you are a buyer of a share, the stock market helps you meet the seller and vice versa.

Stock Market Participants

1. **Domestic Retail Participants** – These are people like you and me transacting in markets

2. **NRI's and OCI** – These are people of Indian origin but based outside India

3. **Domestic Institutions** – These are large corporate entities based in India. Classic example would be the LIC of India.

4. **Domestic Asset Management Companies (AMC)** – Typical participants in this category would be the mutual fund companies such as SBI Mutual Fund, DSP Black Rock, Fidelity Investments, HDFC AMC etc.

5. **Foreign Institutional Investors** – Non Indian corporate entities.

OVERVIEW

From the time you access the market – let's just say, to buy a stock till the time the stocks comes and hits your DEMAT account, a bunch of corporate entities are actively involved in making this work for you. These entities play their role quietly behind the scene, always complying with the rules laid out by SEBI and ensure an effortless and smooth experience for your transactions in the stock market. These entities are generally referred to as the Financial Intermediaries.

Together, these financial intermediaries, interdependent of one another, create an ecosystem in which the financial markets exists. This chapter will help you get an overview of who these financial intermediaries are and the services they offer.

The Stock Broker

The stock broker is probably one of the most important financial intermediaries that you need to know. A stock broker is a corporate entity, registered as a trading member with the stock exchange and holds a stock broking license. They operate under the guidelines prescribed by SEBI. A stock broker is your gateway to stock exchanges.

What really is the stock market?

The stock market is a place where market participants can access any publicly listed company and trade from their point of view, as long as there are other participants who have an opposing point of view. After all, different opinions are what make a market.

What moves the stock?

Whatever prices the seller wants the buyer is willing to pay for it. This buyer-seller reaction tends to push the share price higher.

Normally,the stock moves up because of two reasons. One, the leadership issue has been fixed, and two, there is also an expectation that the new CEO will steer the company to greater heights.

How does the stock get traded?

Luckily there are systems in place which are fairly well integrated.

We have many platforms on which we can trade stocks.

Some are:- Zerodha,sharekhan,upstox,motilal oswal.

You just have to create your demat account.

What happens after you own a stock?

After you buy the shares, the shares will now reside in your DEMAT account. You are now a part owner of the company, to the extent of your share holding. To give you a perspective, if you own 200 shares of Infosys then you own 0.000035% of Infosys.

By virtue of owning the shares you are entitled to few corporate benefits like dividends, stock split, bonus, rights issue, voting rights etc. We will explore all these shareholder privileges at a later stage.

The Stock Markets Index

There are approximately 5,000 listed companies in the Bombay Stock Exchange and about 2,000 listed companies in the National Stock Exchange. It would be clumsy to check each and every company, figure out if they are up or down for the day and then give a detailed answer.

The Index

There are two main market indices in India. The S&P BSE Sensex representing the Bombay stock exchange and CNX Nifty representing the National Stock exchange.

S&P stands for Standard and Poor's, a global credit rating agency. CNX Nifty consists of the largest and most frequently traded stocks within the National Stock Exchange.

What is the Bank Nifty?

Bank Nifty represents the 12 most liquid and large capitalised stocks from the **banking** sector which trade on the National Stock Exchange (NSE). It provides investors and market intermediaries a benchmark that captures the capital market performance of Indian **banking** sector.

What is MCX in gold?

Multi Commodity Exchange of India Ltd (**MCX**) (BSE: 534091) is an independent commodity exchange based in India. ... **MCX** offers options trading in **gold** and futures trading in non-ferrous metals, bullion, energy, and a number of agricultural commodities (mentha oil, cardamom, crude palm oil, cotton, and others).

Risks in Investments :

1. Market Risk
   - Equity Risk
   - Interest rate Risk
   - Currency Risk
2. Liquidity Risk
3. Concentration Risk
4. Credit Risk
5. Reinvestment Risk
6. Inflation Risk
7. Horizon Risk
8. Longevity Risk
9. Foreign Investment Risk


THANKS FOR WATCHING
MY PRESENTATION
ANY QUESTIONS?