INVESTING IN STOCK MARKET

G.E COMMERCE 3RD SEM

What is NSE?

National Stock Exchange (NSE) was founded in 1992 and is in Mumbai. Electronic trading platform was first introduced by the NSE.

Nifty50: Nifty is the abbreviation of National Stock Exchange 50. It is the benchmark index of NSE comprising 50 stocks.

What is BSE?

BSE (Bombay Stock Exchange) was founded in 1875 and is the oldest stock exchange in Asia.

Sensex is the benchmark index of BSE and it is derived from the words sensitive and index. Sensex comprises of 30 stocks.

Sensex and Nifty are the face of the Indian stock market as these either go up or down depending on various political and economic factors.

NSE and BSE are the major national exchanges in India. You can trade in stocks by opening a demat or trading account with a depository participant or stockbroker.

Why do companies get listed on exchanges?

1. Transparency and automated trading:

High end technology in terms of trading provides a seamless experience for the investors. The high volume of trading over the exchanges results in lower impact cost for the investor. Automation leads to transparency in dealings thereby increasing investor’s confidence.

2. Huge Reach:

Online trading platforms can be accessed from any part of the country. The company gets greater visibility after its listing on the exchange and the public get equal opportunity to use this platform for investment purpose.

3. High transaction speed:

There was huge delay in trade executions before the invention of online trading system and this has been completely done away with high speed trading platforms. Efficiency of transactions have increased manifold due to the high speed in which they happen over the exchange.

Role of exchanges:

1. Market where securities are traded:

Any investor can buy or sell securities depending on his need. There is no specific time period till which one has to wait so as to trade in shares. Liquidity is high which is not the case with investment avenues like land or gold.

2. Responsible for evaluation of stock prices:

Based on demand and supply, the price of stock either increases or decreases. If the company progresses well, there is increase in demand for its shares and in turn its price increases. Whereas if the company does not perform well, demand for its shares decreases and in turn its price also decreases. Evaluation of the stock's price happens in the exchange.

3. Safeguards investors:

There is a thorough check and balance in the kinds of companies that get listed on the exchange and hence investors' money is protected as there are several regulations and norms the companies need to follow.

4. Acts as barometer for a country's economy:

The health of the stock market is an indicator of the country's economic condition. Usually a strong government results in better performance of the markets and vice versa.

5. Broader range of investment avenues:

An investor or trader can invest according to his/her financial goals and also risk appetite. A wide range of financial products are available for wealth creation.

Difference between NSE and BSE

Features	NSE	BSE
Founded in	1992	1875
Benchmark Index	Nifty	Sensex
Total companies in Index	50	30
Known as	The largest stock exchange	The oldest stock exchange
Number of listed companies	5000+	1600+
MD & CEO	Mr. Ashish Kumar Chauhan	Mr. Vikram Limaye
Trading volume	Higher	Lower than NSE

Mechanism of trading

Now we will be dealing on the trading platforms or the software used for trading. In order to induce more transparency and efficiency in the trading system, NSE and BSE introduced nationwide online fully automated "Screen Based Trading System". The trading platform used by BSE is called BOLT-Bombay Online Trading. The order of investors is placed on the basis of time and price basis.

Recently BSE has launched new software for trading called BEST (BSE Electronic Smart Trader). It can be downloaded directly from Android play store and an investor can enjoy zero transaction charges for 6 months on cross currency derivatives.

Now we will be moving into the trading process

STEP 1: Finding a Broker

A broker acts as an intermediary or a mediator between the investor and the stock exchange. The work of a broker is transfer of order electronically from the investor to the exchange. Any transaction that occurs in stock market is taken care by the stock exchange. Normally in India the stock exchange for trading is active from 9:15 AM to 3:30 PM. However from 1st October, 2018 SEBI has decided to extend the trading hours till 11:55 pm in a move to attract the investors dealing in Indian products on overseas exchanges. The brokers should be selected on the following basis:

- Watching out for fees taken for opening an online trading account
- Having a proper look at ratings and customer service.
- Brokerage charge for intraday trading
- Brokerage charge on selling a long held share
- Margin provided by the broker on intraday trading
- The broker must provide information regarding investment opportunities on a regular basis.

Aditya Trading Solutions provides trading services at lowest brokerage charges. Open an online trading account with ATS and avail wide range of trading solutions. We provide all trading services like equities trading, derivatives trading, commodity trading, investment advisory services etc on advanced trading platforms.

Open an online trading account with ATS and avail lowest brokerage charges on your trading transactions, 24/7 customer support, call and trade facility, and easy and instant payout options.

STEP 2: Opening Account With the Broker

Having selected a broker it is time to open an online trading account with the broker. A broker always opens a trading account in the name of the investor/ client only if he/she is satisfied about the credit worthiness of the client. If the broker feels satisfied with the client he/she will open the account by writing the client's name in the broker's book. The minimum requirement for opening a trading account is PAN card, and bank account failing to which the account cannot be opened.

Open Free Online Trading Account with Aditya Trading solutions at Lowest Brokerage Charges and Invest in Equities, Derivatives, and Commodities. We strive to provide the best Trading platform and services in India for all online trading needs.

STEP 3: Placing the Order

After the account is opened successfully a notification will be provided via email or message. Then the investor can begin the trading as per his/her wish. The trading or investment is done by purchasing a specified number of shares of a particular company. The order when placed is incomplete until the order status shows complete. Different online trading platforms follow different symbols to mark the order placing. Order can also be placed via a telephonic call with the broker. There are different types of orders:

Buy Orders

Buy orders are placed when the price of the share is expected to rise. This can be understood by simple Demand-Supply curve. As the demand increases people buy more and the price gradually rises. The same logic applies in the share market. As the price of the share rises, the investors feel the price will further rise and they buy the shares. However the amount of quantity is fully dependent on the availability of funds and risk associated with the particular share.

Sell orders

Sell orders are executed when the investor feels that the price of the share will decline from now on. However it is totally based on analysis and predictions.

Limit order

It is an order for buying or selling of securities at a particular price as set by the investor. However there is no guarantee that the limit order will be executed. For example the price of a Share X is Rs. 234.65 and the investor places an order to buy the share X 100 quantity at Rs. 223.05 or less. But if the price of share X doesn't fall till Rs. 223.05 then the investor cannot buy the shares.

Stop Loss order

It is an order to sell the shares as soon as the price of the share falls up to a particular level or from the buy side to buy the share when the price rises up to a specified level. This is set by the client to avert the loss which can occur in share market. This is done to not suffer loss more than the specified limit.

Let us take an example:
Buy Price: Rs. 234.95, Quantity: 300, Sell Price: Rs. 295.05, Stop Loss: Rs. 220.50,

Suppose the stock price falls to 220.50 and when the share will reach Rs. 220.50 the order will be sold and the loss amount will be (234.95- 220.50)*300 =Rs. 4335. However if the Stop loss has not been kept and the price falls to Rs. 205.75 then the loss would have been (234.95- 205.75)*300 = Rs. 8760.

Fixed Price order

When the investor specifies the price at which he/she wants to buy/sell the shares is called fixed price order.

Market order:

A market order is executed at CMP (Current Market Price). It occurs mainly during intraday trading. When the buyer has bought the shares and has not sold the shares before 3:15pm then from the broker side the shares are sold at CMP.

Discretionary order

It is normally done by the broker from their side when the investor has complete faith and trusts the broker. It is an order to the broker to buy/sell the shares at whatever price the broker thinks will be good for the investor.

Cancel order

If the price is not matched then the order is cancelled and new fresh orders have to be placed again. Also, however if the margins are insufficient then order is cancelled. In that case the trader has to place order with a reduced number of order quantity.

Day order

The validity of these orders is for the day in which they are put in the trading platform. However if they are not executed (buy/sell) then the orders are cancelled automatically from the broker side.

Good Till Day order

An order can be placed by the investor specifying the number of days for which the orders will remain open. However even after the price level is not met then the order has to be cancelled and it is automatically cancelled.

STEP 4:Execution of the Order

The orders are executed by the broker on behalf of the clients. The buy orders must tally the sell orders if not then the broker will sell/buy to match the order. For this the broker charges an amount. Normally in an electronic platform the execution occurs automatically.

STEP5: Preparation of Contract Notes

A contract note is a written agreement between the broker and the investor for smooth execution of the transaction. A contract note is sent through an automated message and via mail through the registered phone and mail respectively by the end of the day. However it varies from broker to broker and the timing varies.

A contract contains the transaction name, brokerage charges, trading on BSE/ NSE, SEBI registration number of the broker, settlement number and a digital signature by the broker.

STEP 6: Contract Settlement

The settlement is done by the clearing agency which functions in each stock exchange. The clearing agency delivers the share certificates by the end of the day.