[1.Stock Market]

1.Beginners Guide:

Stock Market Basics

All companies need money to run their business. Sometimes the profit acquired from selling goods or services is not sufficient to meet the working capital requirements. And so, companies invite normal people like you and me to put some money into their company so that they can run it efficiently and in return, investors get a share of whatever profit they make.

Understanding this is the first step towards understanding stock market basics. Let's learn about this in detail.

What are Stocks?

Stocks are simply an investment method to build wealth. When you invest in the stock of a company, it means you own a share in the company that issued the stock.

Stock investment is a way to invest in some of the most successful companies.

Also, there are different types of stocks available in the market to invest/trade-in. These stocks are categorised based on the following criteria:

- Market capitalization
- Ownership
- Fundamentals
- Price volatility

- Profit sharing
- Economic trends

What is Share Market?

People often wonder what is stock market and share market, and often use it interchangeably.

A stock market is similar to a share market. A share market is where the shares are issued or traded in. The primary difference between the two is that the stock market lets an individual trade in bonds, mutual funds, derivatives, shares of a company, etc. On the other hand, a share market only allows the trading of shares.

How Does the Stock Market Work?

Companies raise money on the stock market by selling ownership stakes to investors. These equity stakes are known as shares of stock.

By listing shares for sale on the stock exchanges that make up the stock market, companies get access to the capital they need to operate and expand their businesses without having to take on debt. Investors benefit by exchanging their money for shares on the stock market.

As companies put that money to grow and expand their businesses, it profits the investors as their shares of stock become more valuable over time, leading to capital gains. In addition, companies pay dividends to their shareholders as their profits grow.

The performances of individual stocks vary widely over time but taken as a whole, the stock market has historically rewarded investors with average annual returns of around 10%, making it one of the most reliable ways of growing your money.

Term	Description
Sensex	Sensex is a collection of the top 30 stocks listed on the BSE by way of market capitalisation.
SEBI	The securities and Exchange Board of India (Sebi) is the securities market regulator to oversee any fraudulent transactions and activities made by any of the parties: companies, investors, traders, brokers and the like.
Demat	Demat, or dematerialised account, is a form of an online portfolio that holds a customer's shares and other securities in an electronic (dematerialised) format.
Trading	It is the process of buying or selling shares in a company.
Stock Index	A stock index or stock market index is a statistical source that measures financial market fluctuations. They are performance indicators that indicate the performance of a certain market segment or the market as a whole.
Portfolio	It is a collection of a wide range of assets that are owned by investors. A portfolio can also include valuables ranging from gold, stocks, funds, derivatives, property, cash equivalents, bonds, etc.
Bull Market	In a bull market, companies tend to generate more revenue, and as the economy grows, consumers are more likely to spend.
Bear Market	Bear markets refer to a slowdown in the economy, which may make consumers less likely to spend and, in turn, lower the GDP.
Nifty50	Nifty 50 is a collection of the top 50 companies listed on the National Stock Exchange (NSE).
Stock Market Broker	A stock broker is an investment advisor who executes transactions such as the buying and selling of stocks on behalf of their clients.
Bid Price	The bid price is the highest price a buyer will pay to buy a specified number of shares of a stock at any given time.
Ask Price	The ask price in the stock market refers to the lowest price at which a seller will sell the stock.

IPO	Initial Public Offer (IPO) is the selling of securities to the public in the primary market. It is the largest source of funds with long or indefinite maturity for the company.
Equity	Equity is the value that would be received by the shareholder if all of the company’s assets were liquidated and all of the company's debts were paid off.
Dividend	A dividend refers to cash or reward that a company provides to its shareholders. It can be issued in various forms, such as cash payment, stocks or any other form.
BSE	Bombay Stock Exchange (BSE) is the largest and first securities exchange market in India. It was established in 1875 as the Native Share and Stock Brokers' Association. It is also the first stock exchange in India and provides an equities trading platform for small-and-medium enterprises.
NSE	National Stock Exchange was the first to implement screen-based or electronic trading in India. It is the fourth largest stock exchange in the world in terms of equity trading volume, as per the World Federation of Exchanges (WFE).
Call & Put Option	The call option gives the investor the right to purchase the underlying security, while the put option gives the investor the right to sell shares of the underlying security. Both opinions let the investors profit from movements in a stock's price.
Types of Stock Market	There are 2 types of stock markets: • Primary Market: It creates securities and acts as a platform where firms float their new stock options and bonds for the general public to acquire. • Secondary Market: Here, investors trade in securities without involving the companies who issued them in the first place with the help of brokers.
Ask and Close	The term ‘ask’ in the stock market refers to the lowest price at which a seller will sell the stock. ‘Closing price’ generally refers to the last price at which a stock trades during a regular trading session.

Moving Average	It is a stock indicator commonly used for technical analysis to smoothen the price data by creating a constantly updated average price. A rising moving average indicates that the security is in an uptrend, while a declining moving average indicates a downtrend.

Understanding the Stock Market Basics - Important Terms

Here is a list of commonly used terms when talking about the stock market. You can use this as a glossary to look for any time you want to learn.

2.News:

Link- **https://www.moneycontrol.com/**

3.Live charts:

Link- 1.**https://www.tradingview.com/**

2. **https://www.bseindia.com/**
3. **https://www.nseindia.com/**

4.Open demat account:

Link- 1. **https://groww.in/open-demat-account**

2. **https://zerodha.com/open-account/**

3. https://www.angelone.in/open-demat-account
4. https://upstox.com/open-demat-account/
5. https://share.market/

5.Investment Ideas

1.GOVERNMENT BASED SHARES

1. ONGC
2. NTPC
3. BPCL
4. Bharat Electronics
5. Coal India
6. Power Grid
7. PFC
8. Hindustan Aeronautics
9. IRCTC
10. IRFC

2.NIFTY 50,BANKNIFTY,SENSEX

Nifty 50

1. Adani Ports & SEZ
2. Asian Paints
3. Axis Bank
4. Bajaj Auto
5. Bajaj Finance
6. Bharti Airtel
7. Britannia Industries
8. Cipla
9. Coal India
10. Divi's Laboratories
11. HCL Technologies
12. HDFC Bank
13. HDFC Life
14. Hero MotoCorp
15. Hindalco Industries
16. Hindustan Unilever

17. ICICI Bank
18. Indian Oil Corporation
19. Infosys
20. ITC
21. JSW Steel
22. Kotak Mahindra Bank
23. Larsen & Toubro
24. Mahindra & Mahindra
25. Maruti Suzuki India
26. Nestle India
27. NTPC
28. Oil & Natural Gas Corporation (ONGC)
29. Power Grid Corporation
30. Reliance Industries
31. SBI Life Insurance
32. State Bank of India (SBI)
33. Sun Pharmaceutical Industries
34. Tata Consultancy Services (TCS)
35. Tata Motors
36. Tech Mahindra
37. Titan Company
38. UltraTech Cement
39. UPL
40. Wipro

Bank Nifty

1. Axis Bank
2. Bandhan Bank
3. Bank of Baroda
4. Bajaj Finserv
5. Federal Bank
6. HDFC Bank
7. ICICI Bank
8. IDFC First Bank
9. Kotak Mahindra Bank
10. State Bank of India (SBI)

Sensex

1. Adani Ports & SEZ
2. Asian Paints
3. Bajaj Finance
4. Bajaj Finserv
5. Bharti Airtel
6. Cipla
7. Coal India

8. Dr. Reddy's Laboratories
9. HCL Technologies
10. HDFC Bank
11. HDFC Life
12. Hindustan Unilever
13. ICICI Bank
14. Infosys
15. ITC
16. Kotak Mahindra Bank
17. Larsen & Toubro
18. Mahindra & Mahindra
19. Maruti Suzuki India
20. NTPC
21. Power Grid Corporation
22. Reliance Industries
23. SBI Life Insurance
24. Sun Pharmaceutical Industries
25. Tata Consultancy Services (TCS)
26. Tata Motors
27. Tech Mahindra
28. Titan Company
29. UltraTech Cement
30. Wipro

4.PENNY STOCKS(under ₹10)

- **Unitech Ltd.**
- **Jai Corp Ltd.**
- **Hindustan Composites Ltd.**
- **Saurashtra Cement Ltd.**
- **Gujarat Narmada Valley Fertilizers & Chemicals Ltd.**
- **Kesar Petroproducts Ltd.**
- **Shree Krishna Prasadam Ltd.**
- **Ruchi Soya Industries Ltd.**
- **Modern India Ltd.**
- **Lancer Containers Lines Ltd.**
- **Kothari Products Ltd.**
- **Goa Carbon Ltd.**
- **Jindal Worldwide Ltd.**
- **Ashapura Intimates Fashion Ltd.**
- **Mangalam Organics Ltd.**

6.IPO

What is IPO?

Initial Public Offering (IPO) refers to the process where private companies sell their shares to the public to raise equity capital from the public investors. The process of IPO transforms a privately-held company into a public company. This process also creates an opportunity for smart investors to earn a handsome return on their investments.

Investing in IPOs can be a smart move if you are an informed investor. But not every new IPO is a great opportunity. Benefits and risks go hand-in-hand. Before you join the bandwagon, it is important to understand the basics.

What is IPO in Stock Market?

IPO stands for Initial Public Offering. Initial Public Offering (IPO) can be defined as the process in which a private company or corporation can become public by selling a portion of its stake to the investors.

An IPO is generally initiated to infuse the new equity capital to the firm, to facilitate easy trading of the existing assets, to raise capital for the future or to monetize the investments made by existing stakeholders.

The institutional investors, high net worth individuals (HNIs) and the public can access the details of the first sale of shares in the prospectus. The prospectus is a lengthy document that lists the details of the proposed offerings.

Once the IPO is done, the shares of the firm are listed and can be traded freely in the open market. The stock exchange imposes a minimum free float on the shares both in absolute terms and as a ratio of the total share capital.

Types of IPO

There are two common types of IPO. They are-

1) Fixed Price Offering

Fixed Price IPO can be referred to as the issue price that some companies set for the initial sale of their shares. The investors come to know about the price of the stocks that the company decides to make public.

The demand for the stocks in the market can be known once the issue is closed. If the investors partake in this IPO, they must ensure that they pay the full price of the shares when making the application.

2) Book Building Offering

In the case of book building, the company initiating an IPO offers a 20% price band on the stocks to the investors. Interested investors bid on the shares before the final price is decided. Here, the investors need to specify the number of shares they intend to buy and the amount they are willing to pay per share.

The lowest share price is referred to as the floor price, and the highest stock price is known as the cap price. The ultimate decision regarding the price of the shares is determined by investors' bids.

IPO Advantages and Disadvantages

Investing in IPOs comes with both merits and demerits. Here are a few of the benefits and drawbacks you must know before making your investment decision.

Benefits of Investing in an IPO

Investing in an initial public offering withholds the below-mentioned advantages-

- **Increased Recognition**

When weighing the advantages and cons of an IPO, this good factor comes out on top. It assists management in gaining more reputation and credibility by becoming a trustworthy organization.

Companies that are publicly traded are typically more well-known than their private competitors. In addition, a successful process attracts media attention in the financial sector.

- **Access to Capital**

A corporation may never receive more capital than it raises by going public. A company's growth trajectory might be substantially altered by the substantial cash available. An ambitious company may enter a new period of financial stability following its IPO.

This decision can help R&D, hire new employees, establish facilities, pay off debt, finance capital expenditures, and purchase new technologies, among other things.

- **Diversification Opportunity**

When a corporation becomes public, its shares are traded on an exchange amongst investors. This increases investor diversity because no single investor owns a majority of the company's outstanding stock. As a result, purchasing stock in a publicly listed company can help diversify investment portfolios.

- **Management Discipline**

Going public encourages managers to prioritize profitability over other objectives, such as growth or expansion. It also makes contact with shareholders easier because they can't hide their issues.

- **Third-Party Perspective**

When a company goes public, it gains an independent perspective on its business model, marketing strategy, and other factors that could hinder it from becoming profitable.

Disadvantages of Investing in IPO

There are a few factors an investor would have to consider before starting to invest in an IPO-

- **More Costs**

IPOs can be quite costly. Aside from the continuous costs of regulatory compliance for public firms, the IPO transaction process necessitates the investment of capital in an underwriter, an investment bank, and an advertiser to ensure that everything runs well.

- **Lesser Autonomy**

Public companies are led by a board of directors, which reports directly to shareholders rather than the CEO or president. Even if the board delegated authority to a management team to oversee day-to-day business operations, the board retains the final say and the authority to fire CEOs, including those who founded the company.

Some businesses circumvent this by going public in a way that grants its founder veto power.

- **Extra Pressure**

In the midst of market turmoil, publicly traded firms are under enormous pressure to keep their stock values high. Executives may be unable to make hazardous decisions if the stock price suffers as a result. This occasionally foregoes long-term planning in favour of immediate gratification.

Terms Associated with IPO

To have informed knowledge about IPO, it is necessary that one comes to know about some basic terms used in the process. Some of the commonly used terms are provided in the table below:

Terms	Descriptions
Issuer	An issuer can be the company or the firm that wants to issue shares in the secondary market to finance its operations.
Underwriter	An underwriter can be a banker, financial institution, merchant banker, or broker. It assists the company to underwrite their stocks. The underwriters also commit that they will subscribe to the balance shares if the stocks offered at IPO are not picked by the investors.
Fixed Price IPO	Fixed Price IPO can be referred to as the issue price that some companies set for the initial sale of their shares.
Price Band	A price band can be defined as a value-setting method where a seller offers an upper and lower cost limit, the range within which the interested buyers can place their bids. The range of the price band guides the buyers.
Draft Red Herring Prospectus (DRHP)	The DRHP is the document that lets the public know about the company's IPO listings after the approval made by SEBI.
Under Subscription	Under Subscription takes place when the number of securities applied for is less than the number of shares made available to the public.
Oversubscription	Oversubscription is when the number of shares offered to the public is less than the number of shares applied for.

Green Shoe Option	It refers to an over-allotment option. It is an underwriting agreement that permits the underwriter to sell more shares than initially planned by the company. It happens when the demand for a share is seen higher than expected.
Book Building	Book building is the process by which an underwriter or a merchant banker tries to determine the price at which the IPO will be offered. A book is made by the underwriter, where he submits the bids made by the institutional investors and fund managers for the number of shares and the price they are willing to pay.
Flipping	Flipping is the practice of reselling an IPO stock in the first few days to earn a quick profit.

Any individual who is an adult and is capable of entering into a legal contract can serve the eligibility norms to apply in the IPO of a company. However, there are some other inevitable norms an investor needs to meet.

The eligibility criteria are-

- It is required that the investor interested in buying a share in an IPO has a PAN card issued by the Income Tax department of the country.
- One also needs to have a valid demat account.
- It is not required to have a trading account, a Demat account serves the purpose. However, in case an investor sells the stocks on listings, he will need a trading account.

It is often advised to open a trading account along with the Demat account when an investor is looking forward to investing in an IPO for the first time.

7.ETF

Exchange Traded Funds

ETF Meaning

ETFs are a sort of investment fund that combines the best features of two popular assets: They combine the diversification benefits of mutual funds with the simplicity with which equities may be exchanged.

What is an ETF?

An exchange-traded fund (ETF) is a collection of investments such as equities or bonds. ETFs will let you invest in a large number of securities at once, and they often have cheaper fees than other types of funds. ETFs are also more easily traded.

However, ETFs, like any other financial product, is not a one-size-fits-all solution. Examine them on their own merits, including management charges and commission fees, ease of purchase and sale, fit into your existing portfolio, and investment quality.

How do ETFs Work?

The assets that are underlying are owned by the fund provider, who then forms a fund to track the performance and offers shares in that fund to investors. Shareholders own a part of an ETF but not the fund's assets.

Investors in an ETF that tracks a stock index may get lump dividend payments or reinvestments for the index's constituent firms.

Here's a quick rundown of how ETFs work-

1. An ETF provider takes into account the universe of assets, such as stocks, bonds, commodities, or currencies, and builds a basket of them, each with its own ticker.
2. Investors can buy a share in that basket in the same way they would buy stock in a firm.
3. Like a stock, buyers and sellers trade the ETF on an exchange throughout the day.

Types of ETFs

- Index ETFs: These are funds that are designed to track a specific index.
- Fixed Income ETFs: These funds are designed to provide exposure to nearly every type of bond available.
- ETFs are designed to provide exposure to a specific industry, such as oil, medicines, or high technology.
- Commodity ETFs: These funds are designed to track the price of a certain commodity, such as gold, oil, or corn.
- Leveraged ETFs: These funds are designed to employ leverage to boost returns.
- Unlike most ETFs: which are designed to track an index, actively managed ETFs are aimed to outperform it.
- ETNs are debt securities guaranteed by the creditworthiness of the issuing bank that was established to enable access to illiquid markets; they also have the added advantage of generating virtually no short-term capital gains taxes.
- ETFs that let the investors trade volatility or get exposure to a specific investing strategy - such as currency carry or covered call writing, are examples of alternative investment ETFs.

- Style ETFs: These funds are designed to mirror a specific investment style or market size focus, such as large-cap value or small-cap growth.
- Foreign market ETFs: These funds are designed to monitor non-Indian markets such as Japan's Nikkei Index or Hong Kong's Hang Seng Index.
- Inverse ETFs: These funds are designed to profit from a drop in the underlying market or index.

Benefits of Investing in ETFs

The advantages of ETFs

- Simple to trade - Unlike other mutual funds, which trade at the end of the day, you could buy and sell at any time of day.
- Transparency - The majority of ETFs are required to report their holdings on a daily basis.
- ETFs are more tax efficient than actively managed mutual funds because they generate less capital gain distributions.
- Trading transactions - Since they are traded like stocks, investors can place order types (e.g., limit orders or stop-loss orders) that mutual funds cannot.

Risks of ETFs

However, there are several disadvantages to using ETFs, which include the following-

- Trading costs: If you invest modest sums frequently, dealing directly with a fund company in a no-load fund may be less expensive.
- Illiquidity: Some lightly traded ETFs have huge bid or ask spreads, which means you'll be buying at the spread's high price and selling at the spread's low price.

- While ETFs often mirror their underlying index pretty closely, technical difficulties might cause variances.
- Settlement dates: ETF sales will not be settled for two days after the transaction; this implies that, as the seller, your money from an ETF sale is theoretically unavailable to reinvest for two days.

How to Invest in ETF?

There are a few major steps to invest in an ETF-

Step 1: Open a brokerage account.

Step 2: Choose the ETF.

Step 3: Transfer the money.

8.Future & Option trading(F&O)

What is Futures and Options?

Futures and options are the major types of stock derivatives trading in a share market. These are contracts signed by two parties for trading a stock asset at a predetermined price on a later date. Such contracts try to hedge market risks involved in stock market trading by locking in the price beforehand.

Future and options in the share market are contracts which derive their price from an underlying asset (known as underlying), such as shares, stock market indices, commodities, ETFs, and more. Futures and options basics provide individuals to reduce future risk with their investment through pre-determined prices. However, since a direction of price movements cannot be predicted, it can cause substantial profits or losses if a market prediction is inaccurate. Typically, individuals well versed with the operations of a stock market primarily participate in such trades.

Invest in Futures and options

Difference between Futures and Options

Future and option trading are different in terms of obligations imposed on individuals. While futures act a liability on an investor, requiring him/her to follow up on a contract by a pre-set due date, an options contract gives an individual the right to do so.

A futures contract to buy/sell underlying security has to be followed up on the predetermined date at a contractual price. On the other hand, an options contract provides a buyer with a choice to do the same, if he/she profits from a trade.

Types of Futures and Options

While futures contract holds the same rules for both buyers and sellers of a contract, an options derivative can be divided into two types. Individuals entering an options contract to sell a particular asset at a pre-asserted price on a future date can do so by signing a put option contract. Similarly, individuals aiming to purchase a particular asset in the future can enter into a call option to lock in the price for future exchange.

Who Should Invest in Futures and Options?

Traders engaging in future and option trading can be classified into the following types.

- Hedgers

Such individuals enter into futures and options contracts in the share market to reduce investment volatility concerning price changes. Locking in a price for transaction at a future date helps individuals realise relative gains if the price moves adversely with respect to a trading position assumed by a buyer. However, in case of a favourable fluctuation, individuals entering into a futures contract can incur significant losses. Such risk is mitigated in an options contract, as an investor can pull out of a deal in case of favourable price swings.

Hedgers aim to secure their gains or expenditures in the future by entering into a derivative contract. Such traders are popular in the commodity market, wherein individuals try to secure an expected price of a particular item for a successful exchange. Understand it with the help of a future and option trading example. A farmer can enter into a futures contract with a wholesaler to sell 50 kg of potato for Rs. 20 per kg three months from the current date. On the day of maturity, if the price of potatoes falls below that level, the farmer successfully hedged his position to minimise the overall risk associated with trading in the future.

However, in case of a price rise in the potato market, a farmer stands to lose out on profits. Such losses can be offset through a put option contract, which gives the farmer a right but not an obligation to meet the conditions of a contract. In case of a fall in the market price level, he/she can execute the options contract to ensure negligible losses. Price rise on the other hand, allows the farmer to withdraw from the contract and sell the items in the marketplace at the prevailing price.

Hedgers primarily opt for physical trade wherein the asset is exchanged upon maturity of the contract. It is particularly popular in the commodity market, wherein physical trade is undertaken by producers and companies to keep the cost of raw materials at a fixed level. It ensures stability in the price levels in an economy.

- Speculators

Speculators predict the direction of price movement in a market as per an intrinsic valuation and economic condition and choose to take an opposite stance in the present to gain from such price fluctuations. Taking a futures and options example, if an investor predicts the price to increase in the future, he/she can assume a short position in the derivatives market. It indicates a purchase of a stock/derivative in the present to sell it on a later date, at a higher price.

Subsequently, a long position is undertaken by individuals expecting the prices to fall in the future as per their market analysis. Investors plan on buying securities in the future at a reduced price through such contracts, to profit in relative terms.

Most speculators engaging in derivatives trading aim to opt for cash settlement, wherein the physical transfer of an asset is not conducted. On the contrary, a difference between spot price (current market price) and the price quoted to the derivative is settled between two parties, thereby reducing the hassles of such trade.

- Arbitrageurs

Arbitrageurs aim to profit from price differences in the market, which arise due to market imperfections. A price quoted in futures and options trading includes the current price and cost of carry, along with an underlying assumption that a strike price matches the contractual price. Any price difference arises from carrying the underlying security to the future date, known as the cost of carry.

Arbitrageurs essentially remove all price differences arising from imperfect trading conditions, as they change the demand and supply patterns to arrive at equilibrium.

Futures and options trading is widely practised on leverage, wherein the entire cost of trading does not have to be paid upfront. Instead, a brokerage firm finances a stipulated percentage of an entire contract, provided an investor keeps a minimum amount (mark to market value) in his/her trading account. It increases the profit margin of an investor substantially

However, as explained above, futures and options have high risks associated, as accurate predictions regarding the price movements have to be made. A thorough understanding of stock markets, underlying assets and issuing organisations, etc., have to be kept in mind to profit from derivative trading.

9.DISCLAIMER

The information provided on this platform is for general informational purposes only and should not be considered as financial, investment, or trading advice. All views, opinions, and recommendations expressed are those of the individual and do not constitute professional advice.

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