Unit -5

Underwriting Meaning.

Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance, or investments. The term underwriter originated from the practice of having each risk-taker write their name under the total amount of risk they were willing to accept for a specified premium.

Although the mechanics have changed over time, underwriting continues today as a key function in the financial world.

Definition.

Underwriting is one of the most important functions in the financial world wherein an individual or an institution undertakes the risk associated with a venture, an investment, or a loan in lieu of a premium. Underwriters are found in banking, insurance, and stock markets.

The nomenclature 'underwriting' came about from the practice of having risk takers to write their name below the total risk that s/he undertakes in return for a specified premium in the early stages of the industrial revolution.

Types of Underwriting

There are basically three different types of underwriting: loans, insurance, and securities.

1.Loan Underwriting

All loans undergo some form of underwriting. In many cases, underwriting is automated and involves appraising an applicant's credit history, financial records, and the value of any collateral offered, along with other factors that depend on the size and purpose of the loan. The appraisal process can take a few minutes to a few weeks, depending on whether the appraisal requires a human being to be involved.

The most common type of loan underwriting that involves a human underwriter is for mortgages. This is also the type of loan underwriting that most people encounter. The underwriter assesses income, liabilities (debt), savings, credit history, credit score, and more depending on an individual's financial circumstances. Mortgage underwriting typically has a "turn time" of a week or less.

Refinancing often takes longer because buyers who face deadlines get preferential treatment. Although loan applications can be approved, denied, or suspended, most are "approved with conditions," meaning the underwriter wants clarification or additional documentation.

2.Insurance Underwriting

With insurance underwriting, the focus is on the potential policyholder—the person seeking health or life insurance. In the past, medical underwriting for health insurance was used to *determine how much to charge an applicant based on their health and even whether to offer coverage at all, often based on the applicant's pre-existing conditions. Beginning in 2014, under the Affordable Care Act, insurers were no longer allowed to deny coverage or impose limitations based on pre-existing conditions.*

Life insurance underwriting seeks to assess the risk of insuring a potential policyholder based on their age, health, lifestyle, occupation, family medical history, hobbies, and other factors determined by the underwriter. Life insurance underwriting can result in approval—along with a range of coverage amounts, prices, exclusions, and conditions—or outright rejection.

3.Securities Underwriting

Securities underwriting, which seeks to assess risk and the appropriate price of particular securities—most often related to an IPO—is performed on behalf of a potential investor, often an investment bank. Based on the results of the underwriting process, an investment bank would buy (underwrite) securities issued by the company attempting the IPO and then sell those securities in the market.

Underwriting ensures that the company's IPO will raise the capital needed and provides the underwriters with a premium or profit for their service. Investors benefit from the vetting process that underwriting provides and its ability to make an informed investment decision.

4. Real estate underwriting

In real estate underwriting, a borrower's background is assessed, as well as the property they want to get a loan for. The underwriting process will determine whether the property can recoup its value if the borrower cannot pay back the loan.

5. Forensic underwriting

Forensic underwriting occurs when a borrower fails to pay back a loan. In this case, the borrower will be assessed again to determine whether the person can be given a new loan or a refinance.

Mechanics.

Definition of mechanics

1: a branch of physical science that deals with energy and forces and their effect on bodies
2: the practical application of mechanics to the design, construction, or operation of machines or tools
3: mechanical or functional details or procedure
the mechanics of the brain.
mechanics, science concerned with the
motion of bodies under the action of forces, including the special case in which a body remains at rest. Of first concern in the problem of motion are the forces that bodies exert on one another. This leads to the study of such topics as gravity, electricity, and magnetism, according to the nature of the forces involved. Given the forces, one can seek the manner in which bodies move under the action of forces; this is the subject matter of mechanics proper.

What is Book Building?

Book building is the process by which an underwriter attempts to determine the price at which an initial public offering (IPO) will be offered. An underwriter, normally an investment bank, builds a book by inviting institutional investors (such as fund managers and others) to submit bids for the number of shares and the price(s) they would be willing to pay for them..

The book building process comprises these steps:

- *The issuing company hires an investment bank to act as an underwriter who is tasked with determining the price range the security can be sold for and drafting a prospectus to send out to the institutional investing community.*
- *The investment bank invites investors, normally large scale buyers and fund managers, to submit bids on the number of shares that they are interested in buying and the prices that they would be willing to pay.*
- *The book is 'built' by listing and evaluating the aggregated demand for the issue from the submitted bids. The underwriter analyzes the information and uses a weighted average to arrive at the final price for the security, which is termed the cutoff price.*
- *The underwriter has to, for the sake of transparency, publicize the details of all the bids that were submitted.*
- *Shares are allocated to the accepted bidders.*

Concept:

Book Building is a process by which corporations determine the demand and the price of a proposed issue of securities through public bidding. The objective is to determine the quantum of the issue on the basis of the price book built. ... Investors are free to place a bid at any price higher than the floor price.

Characteristics:

- ***Tendering Process***
- ***Floor Price:***
- ***Price Band:***
- ***Bid:***
- ***Allotment:***
- ***Participants:***

Tendering Process

Book building involves inviting subscriptions to a public offer of securities, essentially through a tendering process. Eligible investors are required to place their bids for the number of shares to be issued and the price at which they are willing to invest, with the lead manager running the book. At the end of the cut off period, the lead manager determines the response to the issue in terms of the quantum of shares and the highest price at which demand is sufficient to match the size of the issue.

Floor Price:

Floor price is the minimum price set by the lead manager in consultation with the issuer. This is the price at which the issue is open for subscription. Investors are free to place a bid at any price higher than the floor price.

Price Band:
The range of price (the highest and the lowest price) at which an offer for the subscription of securities is made is known as 'price band'. Investors are free to bid any price within the price band

Bid:
The investor can place a bid with the authorized lead manager merchant banker. In the case of equity shares, usually several brokers in the stock exchange are also authorized by the lead manager. The investor fills up a bid-cum-application form, which gives a choice to bid for up to three optional prices.

Allotment:
The lead manager, in consultation with the issuer, decides the price at which the issue will be subscribed and proceeds to allot shares to investors who have bid at or above the fixed price. All investors are allotted shares at the same fixed price. For any allottee, therefore the price would be equal to or less than the price bid.

Participants:
Generally, all investors, including individuals, eligible to invest in a particular issue of securities can participate in the book building process. However, if the issue is restricted to qualified institutions, as in the case of government securities, then, only those eligible can participate.

There are two types of Public Issues:

Fixed Price Issues.

- *Price at which the securities are offered and would be allotted is made known in advance to the investors.*
- *Demand for the securities offered is known only after the closure of the issue.*
- *100 % advance payment is required to be made by the investors at the time of application.*

Book Building Issues

- *A price band is offered by the issuer within which investors are allowed to bid and the final price is determined by the issuer only after closure of the bidding*
- *Demand for the securities offered, and at various prices, is available on a real time basis.*

Book Building Process.

1. ***Appointment of Investment Banker:***
   The first step starts with appointing the lead investment banker. The lead investment banker conducts due diligence. They propose the size of the capital issue that must be

conducted by the company. Then they also propose a price band for the shares to be sold. If the management agrees with the propositions of the investment banker, the prospectus is issued with the price range as suggested by the investment banker.

2. ***Collecting Bids:***
   Investors in the market are requested to bid to buy the shares. They are requested to bid the number of shares that they are willing to buy at varying price levels. These birds along with the application money are supposed to be submitted to the investment bankers. It must be noted that it is not a single investment banker who is engaged in the collection of bids.
3. ***Price Discovery:***
   Once all the bids have been aggregated by the lead investment banker, they begin the process of price discovery. The final price chosen is simply the weighted average of all the bids that have been received by the investment banker. This price is declared as the cut-off price. For any issue which has received substantial publicity and which is being anticipated by the public, the ceiling price is usually the cut-off price.
4. ***Publicizing:***
   In the interest of transparency, stock exchanges all over the world require that companies make public the details of the bids that were received by them. It is the lead investment banker's duty to run advertisements containing the details of the bids received for the purchase of shares for a given period of time (let's say a week). The regulators in many markets are also entitled to physically verify the bid applications if they wish to.
5. ***Settlement:***
   Lastly, the application amount received from the various bidders has to be adjusted and shares have to be allotted. For instance, if a bidder has bid a lower price than the cut-off price then a call letter has to be sent asking for the balance money to be paid.

What Is an Initial Public Offering (IPO)?

An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance. An IPO allows a company to raise capital from public investors. The transition from a private to a public company can be an important time for private investors to fully realize gains from their investment as it typically includes a share premium for current private investors. Meanwhile, it also allows public investors to participate in the offering.
History of IPOs
The term initial public offering (IPO) has been a buzzword on Wall Street and among investors for decades. The Dutch are credited with conducting the first modern IPO by offering shares of the Dutch East India Company to the general public.

Since then, IPOs have been used as a way for companies to raise capital from public investors through the issuance of public share ownership.
The 2008 financial crisis resulted in a year with the least number of IPOs. After the recession following the 2008 financial crisis, IPOs ground to a halt, and for some years after, new listings were rare.

The IPO Process
An IPO comprehensively consists of two parts. The first is the pre-marketing phase of the offering, while the second is the initial public offering itself. When a company is interested in an IPO, it will advertise to underwriters by soliciting private bids or it can also make a public statement to generate interest.

The underwriters lead the IPO process and are chosen by the company. A company may choose one or several underwriters to manage different parts of the IPO process collaboratively. The underwriters are involved in every aspect of the IPO due diligence, document preparation, filing, marketing, and issuance.

Steps to an IPO

1. Proposals

Underwriters present proposals and valuations discussing their services, the best type of security to issue, offering price, amount of shares, and estimated time frame for the market offering.

2. Underwriter

The company chooses its underwriters and formally agrees to underwrite terms through an underwriting agreement.

3. Team

IPO teams are formed comprising underwriters, lawyers, certified public accountants (CPAs), and Securities and Exchange Commission (SEC) experts.

4. Documentation

Information regarding the company is compiled for required IPO documentation. The S-1 Registration Statement is the primary IPO filing document. It has two parts—the prospectus and the privately held filing information

5. Marketing & Updates

Marketing materials are created for pre-marketing of the new stock issuance. Underwriters and executives market the share issuance to estimate demand and establish a final offering price. Underwriters can make revisions to their financial analysis throughout the marketing process. This can include changing the IPO price or issuance date as they see fit.

6.Board & Processes

Form a board of directors and ensure processes for reporting auditable financial and accounting information every quarter.

7. Shares Issued

The company issues its shares on an IPO date. Capital from the primary issuance to shareholders is received as cash and recorded as stockholders' equity on the balance sheet. Subsequently, the balance sheet share value becomes dependent on the company's stockholders' equity per share valuation comprehensively.

8. Post IPO

Some post-IPO provisions may be instituted. Underwriters may have a specified time frame to buy an additional amount of shares after the initial public offering (IPO) date. Meanwhile, certain investors may be subject to quiet periods.

Reverse Book building:

*Reverse Book Building is a mechanism by which the Acquirer/Company offers to buy back shares from its shareholders. Securities and Exchange Board of India has issued the SEBI (Delisting of Equity Shares) Regulations 2009 providing for voluntary delisting of equity shares from stock exchanges along with the overall framework for voluntary delisting by a promoter or acquirer through a process referred to as Reverse Book Building**.***

Reverse Book building Process:

- *The promoter or acquirer shall appoint a Merchant Banker and also a trading member/broker for placing bids on the online electronic system.*
- *A public announcement will be made by the Merchant Banker and promoter along with the letter of offer and bidding form to the public shareholders.*
- *Orders for the offer shall be placed by the willing shareholders through the trading member designated. Before placing the order, the shareholders shall deposit the securities offered with the trading members.*
- *The offer will be open for a specific period as announced before the commencement.*
- *While placing the bids to sell their shares, shareholders are made to ensure that the price they quote is equal or above the floor price specified by the company.*
- *Final buy back price will be determined after the closure of the offer. The final offer price should be the price at which the maximum numbers of shares are offered.*
- *But, it is the discretion of the promoter/acquirer to accept the final price. But, once he accepts the final price determined, the same should be announced to the shareholders by the merchant bankers.*
- *Once the price is accepted, all the valid offers that are up to and equal to the final price shall be accepted at the price determined.*
-

What is a Depository service?

A Depository refers to a place or entity that holds financial securities in a dematerialized form. A bank, organization, or any institution holding and assisting in security trading is referred to as a depository. Depository accounts hold securities in the same way that bank accounts hold funds.

Functions of a Depository

1. Serves as a link between public companies and investors/shareholders.

A depository functions as a connecting link between the public companies that issue financial securities, and the investors or shareholders. The securities are issued by agents associated with depositories, who are known as depository participants. The agents are responsible for transferring the securities from the depositories to the investors. A depository participant can be a bank, an institution, or a brokerage.

2. Eliminates risk related to owning physical financial securities.

A depository allows traders and investors to hold securities in dematerialized form; thus, eliminating the risk related to holding physical financial securities. The buyers and sellers now do not need to check whether the securities have been transferred successfully without any loss or theft. The depository system reduces such risks by allowing the securities to be held and transferred in electronic form.

3. Reduced paperwork and accelerates the process of transferring securities.
When a trade occurs, a depository transfers the ownership of securities from the account of one investor to another. It helps in reducing the paperwork associated with the finalization of a trade and accelerates the process of transfer of securities.

Objectives of the Depository System

- *It removes the occurrences of forgery, duplicate share certificates, and bad deliveries.*
- *This can increase the liquidity of securities by making a way for easy transfer.*
- *Also, it can avoid the delay caused in the transfer of securities.*
- *Furthermore, it reduces the cost of a transaction for the investors.*
- *It enables withdrawal and surrender from the securities with great ease.*
- *It also maintains a perfect record of the holdings for an investor. This is because all the details are stored in electronic form.*
- *This also provides infrastructure for services in capital markets.*
- *By complying to global standards, it does attract foreign investors.*
-

What Is a Demat Account?
A Demat Account is a bit like a bank account for your share certificates and other securities that are held in an electronic format. Demat Account is short for dematerialisation account and makes the process of holding investments like shares, bonds, government securities, Mutual Funds, Insurance and ETFs easier, doing away with the hassles of physical handling and maintenance of paper shares and related documents.

Types of Demat Accounts

- *Now that we've understood Demat Account definition let's look at the types of Demat Account.*

Regular Demat Account.
This is for Indian citizens who reside in the country.

Repatriable Demat Account:
This kind of Demat Account is for non-resident Indians (NRIs), which enables money to be transferred abroad. However, this type of Demat Account needs to be linked to a NRE bank *account.*

Non-Repatriable Demat Account:

This again is for the NRIs, but with this type of Demat Account, fund transfer abroad is not possible. Also, it has to be linked to an NRO bank account.

Objectives Of Demat Account.

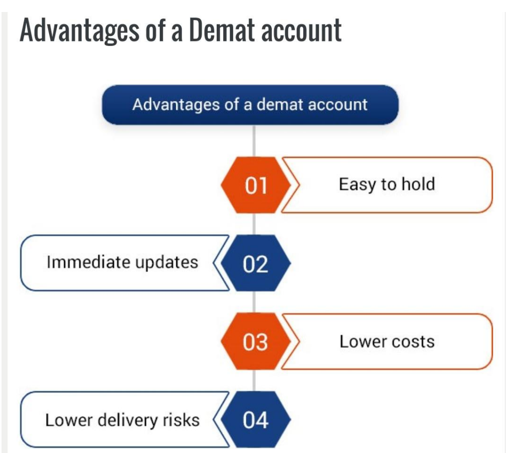
Consider this account as the equivalent to a bank account, which holds your money. This account similarly holds your securities. Shares and stocks are transferred electronically to your account.
India began the transition to the dematerialized system in 1996. The Depository Act was passed in the same year and allowed for the setting up of depositories (like the NSDL and CDSL) that would hold such accounts. The NSDL (National Securities Depository Limited) came up in the same year and allowed for India's first dematerialized accounts on par with global standards.

The National Stock Exchange was the first fully automated stock exchange in India. It began operations in 1994, and shortly after, in 1996, share trading in demat forms commenced. Demat holdings is now how the entire country conducts its securities transactions.

Importance of Demat Account.
If you wish to participate in share market trading, you need to have a Demat account. It's the account that allows you to hold shares and securities in the dematerialised format. The entire process of trading, investing, and monitoring becomes easy and convenient with this account.

Just like you keep money in a savings account in a bank, you do so for shares in a Demat account. You can open a Demat account online or offline with a depository participant. Note that you can open multiple Demat accounts with the same or different depository participants.

Advantages of a Demat Account.



Easy to hold.
Physical share certificates are exposed to the risk of damage. However, with an e-certificate, you don't have to worry about any tear and wear. All your shares are stored in a safe and secure manner.

Immediate updates.
Your portfolio is updated with every transaction you make. So, just by glancing at your online account, you have a fair idea of all your holdings. In addition, since your details are already stored, you don't need to fill out all the details for every transaction.
Lower costs.
When physical share certificates were used, stamp duty was a major cost that investors had to bear. Now, investors incur much lower costs by using demat accounts.
Reduction in delivery risks.
With physical shares, there was always the risk of loss of certificates, theft, fake certificates and so on. But with the reduction in paperwork, all these risks are eliminated. Once you conduct a trade, all the shares are automatically updated to your account.

Electronic settlement of trade.
Trade settlement is a two-way process which comes in the final stage of the transaction. Once the buyer receives the securities and the seller gets the payment for the same, the trade is said to be settled. ... The final settlement does not necessarily occur on the same day. The settlement day is generally
Before the introduction of Demat Account, if you bought shares in the stock market, you would receive physical shares in the form of share certificates. Transferring and storage of physical share certificates was quite risky and would sometimes result in loss or damage. Hence the Depositories were introduced to help store the shares in electronic form.

Role of CDSL and NSDL.
NSDL and CDSL are the depositories in India that help you store the shares electronically. Depositories are companies that provide Demat Services to the Stock Brokers. Every Stock Broker is registered with NSDL or CDSL or Both and is called as a Depository Participant. Both NSDL and CDSL are SEBI Registered entities and they not just help in storing the Shares in Dematerialized form but also other financial instruments such as:

- *Debentures*
- *Bonds*
- *Exchange-traded Funds (ETFs)*
- *Mutual Funds*
- *Government Securities (GSecs)*
- *Treasury Bills (T-bills) etc.*

To understand them better, we suggest you keep reading and find the difference between NSDL and CDSL in the next sections of the article.

NSDL Full Form and Meaning

NSDL stands for National Securities Depository Limited, it is the oldest depository in India with over 2 crore Demat Accounts under its belt. NSDL is promoted by some of the largest financial institutions in India namely, IDBI Bank, UTI, and the National Stock Exchange (NSE). NSDL has its presence in approximately 1,900 cities/towns in India with over 26,000 service centers.

Role of NSDL

NSDL helps its clients by providing services like:

- *Trade Settlements in just 2 working days (i.e. once you buy the shares in the stock market, you will receive them in your Demat Account in 2 working days).*
- *Dematerialization (Conversion of physical share certificates in the electronic form).*
- *Dematerialization (Conversion of electronic share certificates in the physical form).*
- *Maintenance of Demat Account.*
- *Transfer of Corporate benefits like Rights and Bonuses directly into the accounts electronically.*
- *Periodic Status Reports to investors on the holdings and transactions.*
- *Account Statements for ease of portfolio monitoring.*

functions are performed by NSDL

1. *Enables the surrender and withdrawal of securities to and from the depository (dematerialization and rematerialisation).*
2. *It maintains investor holdings in the electronic form.*
3. *It facilitates transfer of securities.*
4. *It is engaged in Stock lending and borrowing.*
5. *Performs settlement of securities that have not been done in the stock exchange.*
6. *it facilitates in mortgaging the securities for loan.*
7. *it locks the investors account whenever required.*
8. *It facilitates electronic credit of shares in public offerings.*

What is depository and the Roles of CDSL and NSDL

We all, as individuals, deposit cash in banks, and enjoy the benefits of interest. These benefits are looked after by banks. In the same way, trading is something that has evolved; from physically buying certificates to now exchanging in a click, digitally.

The majority of the world today indulges in trading and enjoys its benefits. And the enthusiasm and addiction to this market are monitored by depositories.

As investors, we are profound with the concept of trading securities. These securities are safeguarded at a particular place. This place is known as 'depository'. A depository can be a bank or a Demat account. There are two main types of depositories CDSL and NSDL.

But first, let's understand what depositories are and how they function.

If you want to jump on to any particular section of this blog, please refer to the Table of Contents and select the topic you want to directly read about.

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What are CDSL and NSDL?

To comprehend what a depository is; *lets us compare securities to cash. The depositories are to securities what banks are to cash. Much the same as a bank holds your money and permits you to get it through an electronic form, the depository holds our shares, bonds, mutual funds, and so forth for all shareholders in electronic form. These entities have played a critical part in the digitalization of the Indian Stock Markets.*

NSDL is short for 'National Securities Depository', whereas CDSL stands for 'Central Depository Securities' Limited. They are national share depositories fused by the market sectors controller Securities and Exchange Board of India (SEBI). They hold your shares, debentures, mutual funds, etc. Every one of the depositories is connected to one stock trade.

We have two traders in the nation that direct stock exchanges: National Stock Exchange and Bombay Stock Exchange (NSE and BSE). NSDL works for NSE and CDSL works for BSE. CDSL was set up in 1999 and NSDL was set up in 1996.

Before moving ahead, click here to understand what BSE and NSE are and what is their actual purpose.

Differences between CDSL and NSDL

Stock Exchange: CDSL works for BSE and NSDL works for NSE; the trades can utilize both of the depositories for exchanging and settlement of securities.

Promoters: Another contrast between the two is their promoters. NSDL is backed by IDBI Bank Ltd., the Unit trust of India, and NSE. CDSL is promoted simply by BSE as of December 2019.
Establishment year: NSDL was established in 1996 and CDSL was established in 1999.
Demat Account number format: There is a distinction between CDSL and NSDL Demat account number. Demat accounts held with CDSL have 16 numeric digits in them and NSDL Demat accounts have two alphanumeric digits-'IN' and 14 numeric digits.
Several depositories: CDSL has 599 depository participants registered with itself and NSDL has 278 depository participants registered on its system. This is according to the latest numbers.

CDSL Full Form and Meaning

CDSL stands for Central Depository Services Limited, it was established in 1999 and handles over 2.78 crore investor accounts. CDSL is promoted by the Bombay Stock Exchange (BSE). HDFC Bank, Standard Chartered Bank, and Canara Bank also have a stake in CDSL. It has its presence in 120 cities/towns with 222 branches. On 30th June 2017, CDSL was listed on NSE and became the first depository to be listed in the Asia - Pacific Region.

Role of CDSL
All the services provided by CDSL are similar to NSDL like:

- *Trade Settlement*
- *Dematerialization*
- *Rematerialization*
- *Demat Account Maintenance*
- *Periodic Status Reports*
- *Account Statements etc.*

What is Online Stock Trading?
Online Trading of Shares means you have an online platform where you can buy or sell shares. So, Online Trading Meaning is as simple as it sounds. You buy and sell the securities online and the fund is also transferred online.

Benefits of Online Trading
The Online Trading of Stocks has various benefits of its own like –

- *Online trading is quite simple. It works fast and effectively. This enables many stock market enthusiasts to trade on their own without any hassle.*

- *It takes little time to execute orders. You can place orders with shortcut keys saving your time. With the online platform, there is no need to visit the brokerage house or stock exchange, which saves your time as well as effort.*
- *The expenses of trading have gone down as well with the trading online process. The maintenance costs and other charges are reduced by the brokerage houses on trading.*
- *Online Trading Academy helps in learning about the stock market. Big brokerage houses have online trading academy which enables you to read from their resources on trading and the stock market,*
- *You have full control over your investments when trading online. You place your trades, monitor them as and when you want, check your portfolio and do the changes if required.*
- *Online trading makes your trading experience errorless to a great extent. As there is no paper trail, miscommunications can be avoided.*
- *You have access to the research reports of various companies on your trading platform only. You do not have to go places to look for the reports. One can easily find them all on the trading platform for analysis.*

Types Traders

There are many types of traders, which generally describe their trading strategies and philosophies. The following list of traders shouldn't be considered an exhaustive one because, as noted above, traders generally use a variety of methods when they execute their trades.

Day Trader

A day trader is commonly used to describe someone who enters and exits multiple positions in a single day. These traders never hold a position from one trading day to the next, which is why they're called intraday traders. They tend to work with stocks, options, currencies, futures, and even cryptocurrencies.

Swing Trader

A swing trader takes more time to monitor stocks while evaluating the opportunities available. Swing traders can hold a position for days with the goal of capturing the majority of a move in a security's price. Swing traders might study the market for days or weeks before making a trade, buy when there's an upward trend, and sell when the market is expected to have topped out. Swing traders, like many traders, use chart patterns and technical analysis to search for entry setups and exit points.

Buy and Hold Trader

The buy and hold trader is a long-term trader. This approach is the most common, where the trader buys stock in a strong company as opposed to one that is trending. The investor doesn't focus on short-term price movements since the goal is to hold for years with the belief that the company's stock price will appreciate over time, along with the fundamental and economic backdrop. Buy and hold traders may continue to hold a stock throughout a recession and ride out the storm, believing the stock will appreciate on the other side of the economic downturn.

Momentum Trader

A momentum trader takes a long or short position in a stock, focusing on the acceleration of the stock's price, or the company's revenue or earnings. They take these positions on the assumption that the momentum will continue.