#### For more information:

**Call:** 022 - 3089 6680 | **SMS:** MOSL INFO to 575753

**Email:** info@motilaloswal.com | **Visit us at:** www.motilaloswal.com



#### Motilal Oswal Securities Ltd.

Member of NSE and BSE
Registered Office: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064.
NSE (Cash): INB231041238, NSE(F&O): INF231041238, BSE (Cash): INB011041257, BSE(F&O): INF011041257, PMS: INP000000670, CDSL: IN-DP-CDSL-09-99, NSDL: IN-DP-NSDL-152-2000, AMFI:-ARN-17397 Motilal Oswal Commodities Broker Pvt. Ltd. MCX 29500, NCDEX CMID MS0114.
FMC Unique membership code: MCX: MCX/TCM/CORP/0725 & NCDEX: NCDEX/TCM/CORP/0033

For complaints / grievances write to us at: grievances@motilaloswal.com

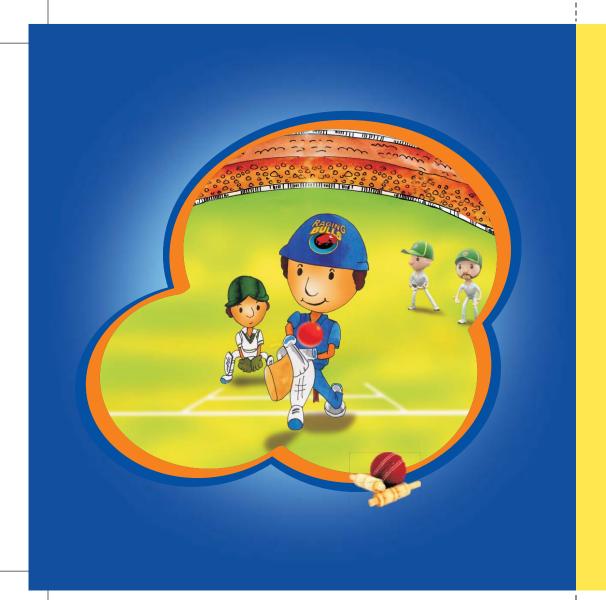
# INVESTMENT VIS TRADING BACK TO BASICS







INVESTMENT VIS TRADING



# Can you play a Test Match like a 20-20?

When it comes to creating wealth we need to play to a plan. Sometimes we get waylaid by our emotions and do not play the way we have planned. That's the reason for loss and many heartburns. The following pages will teach you the different approaches to creating wealth. And the importance of sticking to your strategy.



Before going for a transaction ask this very basic question

WHAT TYPE OF TRANSACTION IS THIS?



# **Decide Before Ordering**

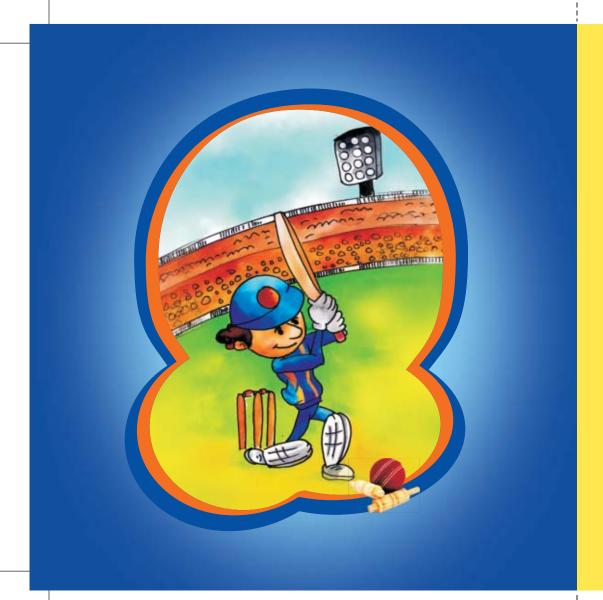
#### Investments or Positional Trade or Intra-day

There are three basic strategies in the stock market. It is important to know the right strategy that suits you.



#### Investments are like a Test Match

- Duration ranges from few months to few years
- They are based on Fundamental factors
- Strategy is to BUY & HOLD till the theme & under valuation persists
- Let long term remain long term and do not book short term profits. As they say, Rome was not built in a day



#### Positional Trades are like a One Day Match

- Duration could be overnight to a few days
- They are based on Technical factors
- May not be in sync with Fundamental factors
- Always make use of STOP-LOSS levels Use Trailing Stop Losses
- Should not be converted into Long-term Investments



## **Trailing Stop Loss**

Trailing Stop Loss lets you continue to increase the stop to take advantage of any profitable trade. Here till the stock is below purchase price the original stop remains. As the price increases the stop increases. Why book ₹10 profit when you can make more?

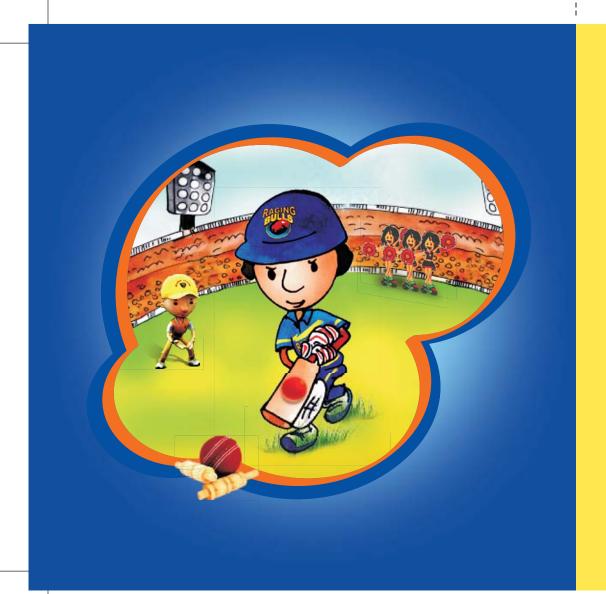
| Price | Stop Loss | Target |  |
|-------|-----------|--------|--|
| 100   | 95        | 110    |  |
| 96    | 95        | 110    |  |
| 100   | 95        | 110    |  |
| 105   | 100       | 110    |  |
| 110   | 105       | 115    |  |
| 115   | 110       | 120    |  |
| 120   | 110       | 125    |  |
| 125   | 115       | 130    |  |
| 130   | 120       | 140    |  |

This is an hypothetical example



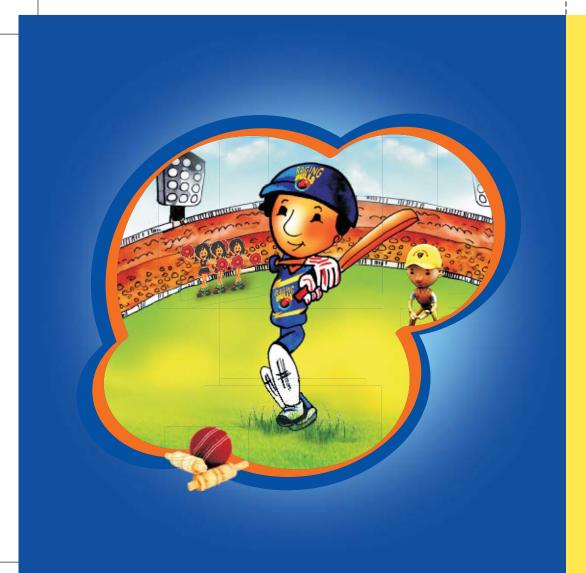
## Intra-day Trades are like 20-20

- Same day square-off
- They are based on Technical factors
- May not be in sync with Fundamental factors: Remember 17th May, 2004
- Always make use of STOP-LOSS levels
- Should not be converted to Positional Trades or Investments



# **Intra-day Assumptions**

- Success Ratio of not more than 60-65%
- Reward Risk Ratio of 2:1 For an expected profit of ₹2, you are accepting a risk of losing ₹1

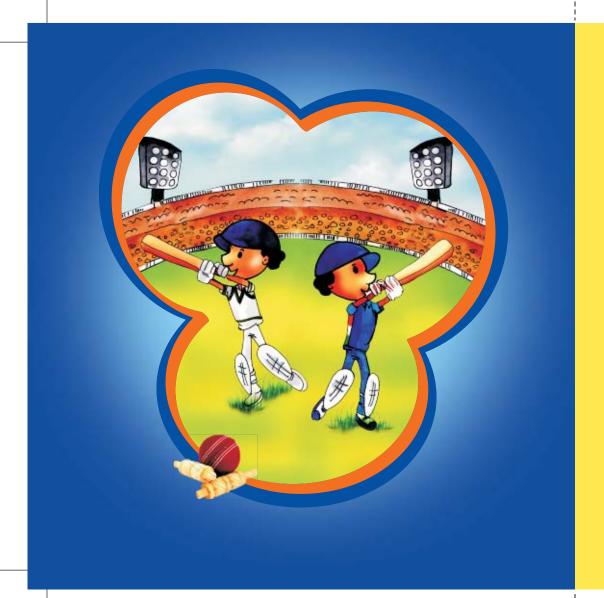


# **Intra-day Assumptions**

With a reward risk ratio of 2:1, money can be made even if one is right 40% of the time.

| Success<br>Ratio | No. of<br>times<br>Stop Loss<br>(₹1) is hit | Total Loss<br>(in ₹) | No. of<br>times<br>(₹2) is<br>earned | Profit<br>Earned<br>(in ₹) | Net<br>Position<br>(in ₹) |
|------------------|---|----------------------|--------------------------------------|----------------------------|---------------------------|
| 40%              | 6   | 6X1=6                | 4                                    | 4X2=8                      | +2                        |
| 50%              | 5   | 5X1=5                | 5                                    | 5X2=10                     | +5                        |
| 60%              | 4   | 4X1=4                | 6                                    | 6X2=12                     | +8                        |
| 70%              | 3   | 3X1=3                | 7                                    | 7X2=14                     | +11                       |

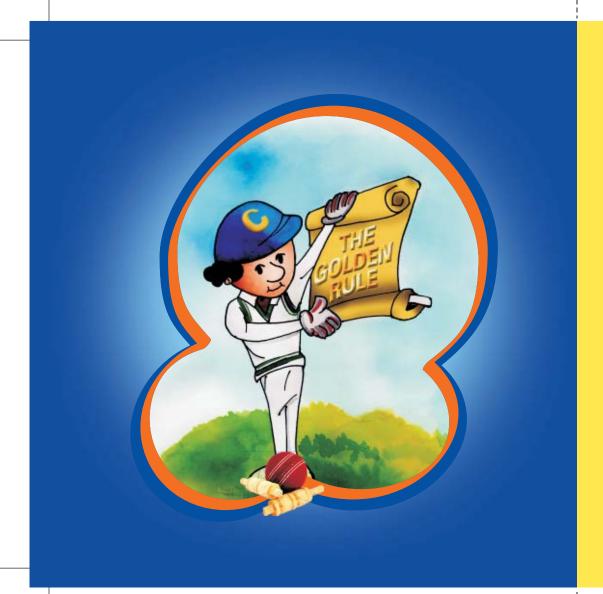
This is an hypothetical example



#### **INVESTING v/s TRADING**

- Buy and hold. Wait for the markets to rebound
- Average if the theme or under-valuation persists during the fall
- Never use a stop loss
- Never short the market
- Focus on the Fundamentals

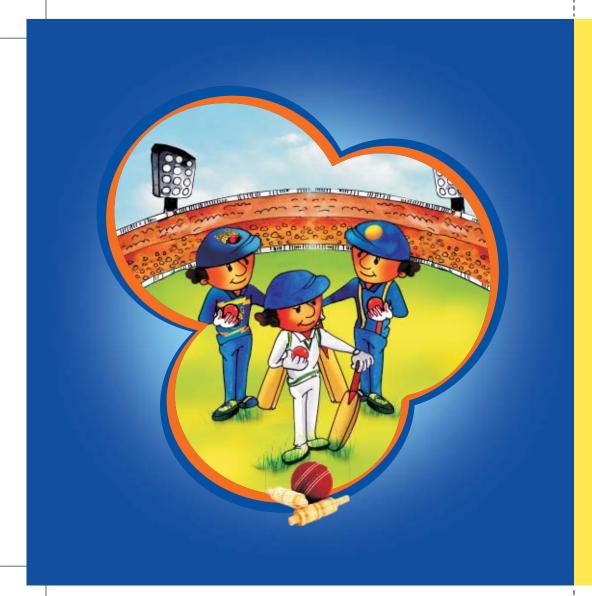
- Never wait for the markets to rebound
- Never Average
- Never trade without a stop loss. Use trailing stop-losses
- Going short is a integral part of trading
- Focus on Technical Parameters



#### THE GOLDEN RULE

#### Do not trade like an Investor or invest like a Trader

Trading and Investment are as different as TEST MATCH & ONE DAY. One does not play a TEST MATCH like ONE DAY or ONE DAY like a TEST MATCH. If one does, the team may lose. The same is the case in Stock Markets. The rules of trading are different from that of Investment. Hence, if one trades like an Investor or Invests like a Trader it would result in loss.



# There are different MOSL Research products for different approaches. Take your pick.

| RESEARCH PRODUCTS |   |  |                                  |  |  |  |
|-------------------|---|--|----------------------------------|--|--|--|
| Duration          | Thematic Research                         | Fundamental Research   | Technical Analysis               | Market Analysis &<br>Information   |  |  |
| As & when         |   | • Company &<br>Sector Reports  | •Precious Metals & more          |  |  |  |
| Yearly            | Wealth Creation Study     Budget Coverage |  |                                  |  |  |  |
| Quarterly         | •India Strategy                           | • Results Preview  |                                  |  |  |  |
| Monthly           |   | • MOSt Value* • MOSt Mutual* • MOSt PMS* • MOSt Wealth • PMS Monthly Newsletters | •MOSt Momentum*                  | Derivatives Roll Over     MOSt Commodity*     MF Research Report     MOSt MF Product Notes     MOSt MF Occasional Papers |  |  |
| Weekly            |   | •MOSt 3*3 •MOSt Universe Valuation   | • Futures Weekly Guide           | •MOSt Weekly<br>•MOSt MF Weekly  |  |  |
| Daily             |   | • MOSt Market Action   | • Market Diary<br>• Pivot Points | Derivatives - Daily Commodities Margin MOSt MF Daily Corporate News Daily Margin (Futures & Options)                     |  |  |
| Market hours      |   |  |                                  | • Market Information &<br>Intra day calls  |  |  |

<sup>•</sup> Hard copies • Soft copies via email/website • Telephonically

<sup>\*</sup>Part of monthly products - MOSt Wealth. All reports are subject to access and availability.