

# FINANCE AND STOCK MARKET

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The Stock Market is nothing more than a global network of organised market places where everyday large sums of money are moved across. In truth, the Stock Market is a highly complicated concept that can be affected by many external problems or cause its own problems such as a rise and fall in stock prices and financial crises. Many people tend to earn easy money that means earning money without much effort such people invest in stocks, some are genuine investors who keep a check on rise and fall in stocks of companies and get profits. The stock market is a lot like gambling because people can win big money if they are lucky enough. The stock market plays a pivotal role in the growth of the industry and finance of the country and eventually affects the economy of the country to a great extent. Stock market can also effect the country's economy in a bad way as well. Many events happened like this in the past like Black Tuesday (October 29, 1929). On this day the New York Stock Exchange crashed. This was the single largest crash in the country. Black Tuesday hit Wall Street as investors traded 16 million shares in one day on the New York Stock Exchange. Black Tuesday wiped out thousands of investors and billions of dollars were lost. Black Tuesday was an event leading up to the stock market crash. As a result numerous Americans lost all to a lot of their savings. Black Tuesday was also known as the beginning

of the great depression which was economic recession that made Americans struggle to make money and provide food, shelter and clothing for their families. This is only one instance many such events of the same scale and some minor collapses happened in the past like Black Monday on Oct 19, 1987. Events like these affect every individual in the country and the people may lose every thing they have.

Every investor's goal is to gain the most money from the stock market. To do so, much knowledge is needed which can help predict the outcome. There are techniques used by forecasters to predict whether the stock will go up or down. However, it will not be an exact because no one can perfectly predict what the firm holding company will do next. Investors buy stocks through stock brokers, their work is to persuade investors to buy stocks from them. They suggest the best stocks to buy based on the current trend and market value. Their predictions may go wrong or right but they make their customers completely believe them. Sometimes the investors may get betrayed by the broker. So, people should carefully choose their stock broker, select the people whom they can completely trust. But investor shouldn't believe the broker blindly they must do some research on that firm and decide accordingly. For the investors to succeed in the finance industry there are few investment strategies. Many strategies can be classified as either fundamental analysis or technical analysis. Fundamental analysis refers to analyzing companies by their financial statements found in SEC filings, business trends, general economic conditions, etc. Technical analysis studies price actions in markets through the use of charts and quantitative techniques

to attempt to forecast price trends regardless of the company's financial prospects. One example of a technical strategy is the Trend following method, used by John W. Henry and Ed Seykota, which uses price patterns and is also rooted in risk control and diversification. People may also follow the investing strategies of experts in the industry like Warren Buffet who is the worlds richest investor. Every budding investor must read his book written on Investing in stock market which will help you get motivated and gives you a better understanding of this industry. When investing in the stock market, the higher the return the greater the risk of losing money. Stock market prices are linked to the issuing company's earnings. When a company is experiencing financial difficulties, the price of the stock can decline rapidly. Stock market volatility can lead to a substantial loss of investment. If the majority of the market is experiencing loss and leaving the market because of economic factors, you may find it difficult to sell your shares to someone else. So eventually the share price goes low and low it doesn't revive until the market jumps.

Investing in stocks is a time consuming event . You need to perform research and investment analysis to find potentially profitable stock. For many individuals, investing in the stock market is a time-consuming, complex task. Even after you find a stock to buy, you must monitor the movement of the stock's price. Although many investors implement a long-term buy and hold strategy, it is important to know when to exit a stock position if it turns out to be a bad investment choice. Once investor gets profit from the stock he gets

addicted to this process and tend to invest more and more if it is a failure he may be broke.

*Stock investment have many benefits:-*

1. **Takes advantage of a growing economy:** As the economy grows, so do corporate earnings. That's because economic growth creates jobs, which creates income, which creates sales. The more the economic growth, the greater the boost to consumer demand, which drives more revenues into company
2. **Best way to stay ahead of inflation:** Historically, stocks have averaged an annualized return of 10%. That's better than the average annualized inflation rate of 3.2%. It does mean you must have a longer time horizon. That way, you can buy and hold even if the value temporarily drops.
3. **Easy to buy:** The stock market makes it easy to buy shares of companies. You can purchase them through a broker or online. Once you've set up an account, you can buy stocks in minutes. Some online brokers such as Robinhood let you buy and sell stocks commission-free.
4. **Make money in two ways:** Most investors intend to buy low and then sell high. They invest in fast-growing companies that appreciate in value. That's attractive to both day traders and buy-and-hold investors. The first group hopes to take advantage of short-term trends, while the latter expect to see the company's

earnings and stock price grow over time. They both believe their stock-picking skills allow them to outperform the market. Other investors prefer a regular income of cash. They purchase stocks of companies that pay dividends. Those companies grow at a moderate rate.

**5. Easy to sell:** The stock market allows you to sell your stock at any time.

Economists use the term "liquid" to mean you can turn your shares into cash quickly and with low transaction costs. That's important if you suddenly need your money in a hurry. Since prices are adjustable, you run the risk of being forced to take a loss.

#### ***Disadvantages of stock market :-***

- 1. Risk:** You could lose your entire investment. If a company does poorly, investors will sell, sending the stock price. When you sell, you will lose your initial investment. If you can't afford to lose your initial investment, then you should buy bonds. You get an income tax break if you lose money on your stock loss. You also have to pay capital gains taxes if you make money.
- 2. Stockholders paid last:** Preferred stockholders and bondholders get paid first if a company goes broke. But this happens only if a company goes bankrupt. A well-diversified portfolio should keep you safe if any one company goes under.
- 3. Time:** If buying stocks on your own, you must research each company to

determine how profitable you think it will be before you buy its stock. You must learn how to read financial statements and annual reports, and follow your company's developments in the news. You also have to monitor the stock market itself, as even the best company's price will fall in a market correction, a market crash.

**4. Playing with emotions:** Stock prices rise and fall second-by-second. Individuals tend to buy high, out of greed, and sell low, out of fear. The best thing to do is not constantly look at the price fluctuations of stocks, just be sure to check in on a regular basis.

**5. Professional competition:** Institutional investors and professional traders have more time and knowledge to invest. They also have sophisticated trading tools, financial models, and computer systems at their disposal. Find out how to gain an advantage as an individual investor.

There are both advantages and disadvantages in investing in stock market. It is always better for a person to create two streams of income because if he bankrupts in first one he always has a second one. Investing in stocks is always a good choice for creating a second source of income. It is always risky to invest in stock market because anyone can guess the economic condition only to some extent and remaining is purely based on the luck factor of the

person.If you hire a stock broker you must make sure that you can place complete trust in the person.Sometimes you may lose all your investment but then you have to gather your confidence and invest cleverly.