

Lec-1

Fixed Income : returns 6%

Equity : 12% (avg) 20% (if you're good)

Real estate : Appreciation + rent, 10% return

Gold : 5-8%

= Equities are best, but because risky, diversify

Inflation "in India"
7.5%

Lec-2:

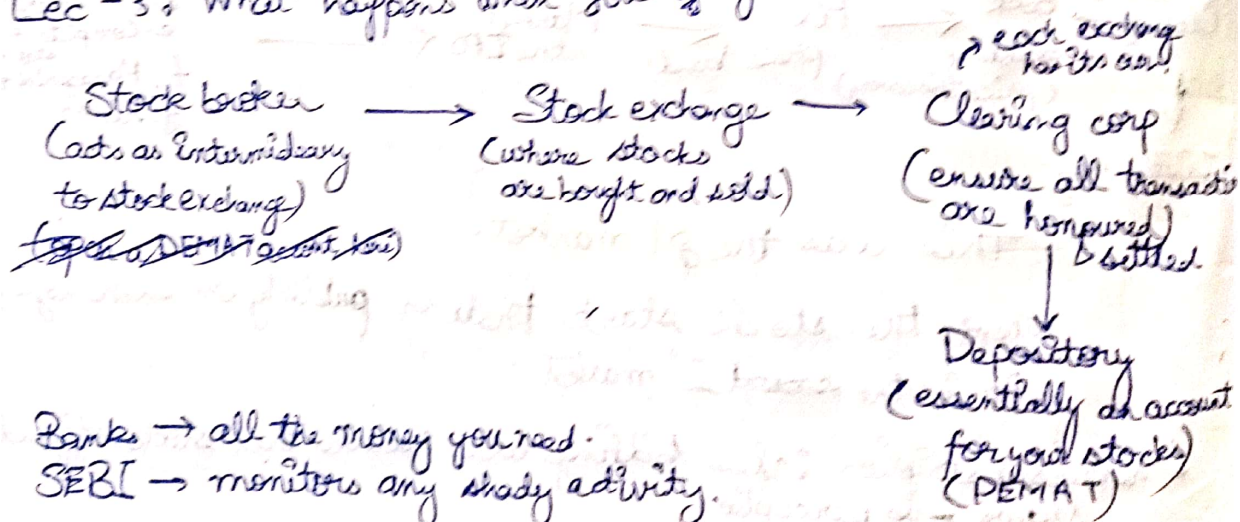
Participants :

1. Domestic retail investors : Common people
2. NRI & OCI : same as retail but based outside India
3. Institutional investors :
 ↳ Domestic
 ↳ Foreign
4. Asset Management Companies (AMC) :

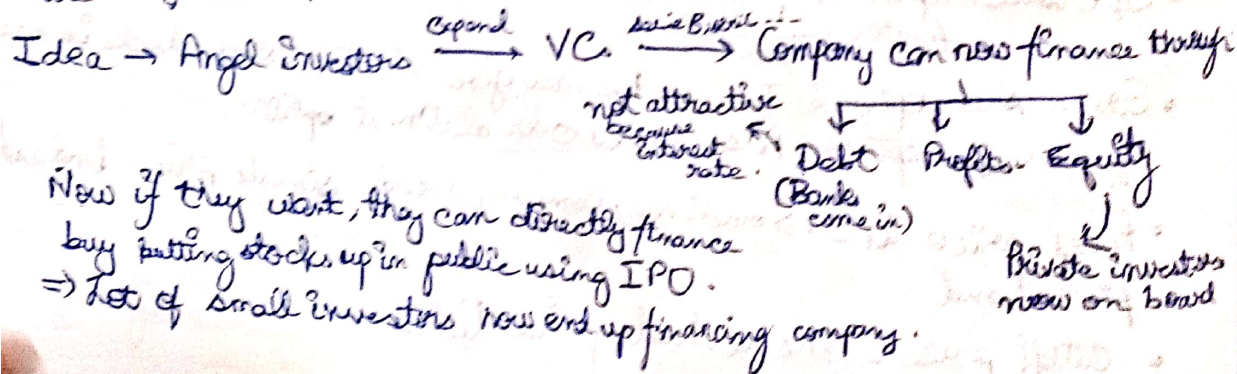
Everyone wants to make money. But in no ruling, everyone can't engage fairly (insider trading may occur). => To make the game fair,

SEBI (the regulator) comes in

Lec-3: What happens when you buy/sell



Lecture-4: IPO



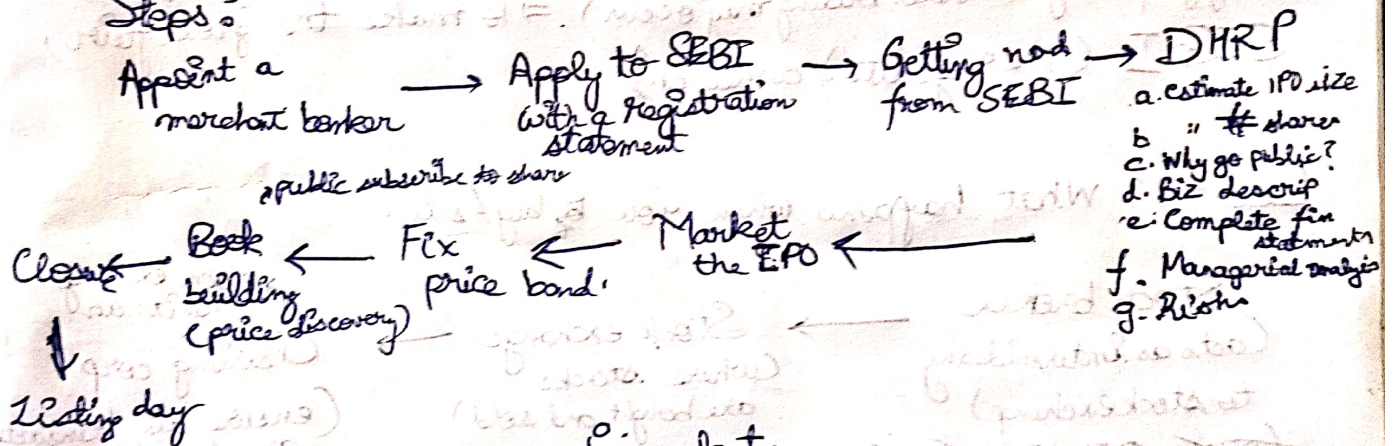
Why to go public?

1. Raise funds (diversify)
2. Avoid debt
3. Spreading risk over a larger population, diversifying & reducing risk.
4. Allow early investors to exit, free up their money.
5. Reward employees by giving them stock options, incentivizing them to work harder
6. Visibility ↑

Process of going public?

- Investor does {
- Appoint a merchant banker / Book running lead manager / Lead manager (BBP)
 - Prep docs including Draft Red Herring Prospectus
 - Underwrite the shares: in case no one buys, they have to buy & later sell.
 - Help determine price band.
 - Publicity.
 - Appoint other intermediaries.

Steps:



This was the 1st market.

When the stock starts trading publicly on exchanges, it is the ~~second~~ 2nd market.

- undersubscription: less biddings were received than stocks offered. Shows -ve perception
- Oversubscription: More biddings.
factor = $\frac{\text{biddings}}{\text{stocks}}$
- Green shoe option: Issuer typically gives at 15% extra stocks in case of oversubscription. Also called over allotment option.
- Fixed price IPO: Sometimes, company decide single price instead of price band
- cutoff price: The actual price listed.

Lec 5 (Instructions due to good or bad news, large companies' stocks are traded irrespective.)

Holding period: $0 \rightarrow \infty$

abs. return: $\left(\frac{\text{End value}}{\text{Start value}} - 1 \right) \times 100$

Compounded annual growth return (CAGR):

$$\text{CAGR} = \left(\frac{\text{End value}}{\text{Start value}} \right)^{1/n_{\text{years}}} - 1$$

\Rightarrow CAGR for $t > 1 \text{ yr}$, use absolute return in $t < 1 \text{ yr}$.

Types of traders:

a. Day trader: buys & sells within a day, no long term positions.

b. Scalper: $N \uparrow, t \downarrow$ (milliseconds) risk averse. ($t \uparrow$, risk-taking generally)

c. Swing trader: Holds from days to weeks, can take more risks

Investors:

a. Growth investors: holding hoping to see gains in growth.

b. Value Investors: See fundamentals

Lec-6: Indices.

Overall indicators.

Some indicator companies are weighted and prepackaged in market
Indices as 'Market Indices' \rightarrow SENSEX (BSE), Nifty (CNX)

S&P \rightarrow company that provides global rating

Uses:

- i) Indicator.
- ii) Benchmarking (against other investments)
- iii) Trading the index itself (using derivatives)
- iv) Portfolio hedging.

There are also sector specific indices.

T (started) T+1 (Car & BTST) T+2 (Shares credited to demat)

T (sold) T+1 (80% money) T+2 (20% returned)

stop loss - stop loss

(\rightarrow buy + stop loss)

Good till triggered

\rightarrow Long term

What Corporate actions?

Dividends: Paid to shareholders per share.

$$\text{Payout ratio} = \frac{\text{Div}}{\text{\$(share)}}$$

not mandatory to pay dividends

Bonus Issue: free extra shares.

Stock split: $N \uparrow$, Price \downarrow

Rights Issue: Shareholders get to buy at a discount.

Buyback: Company buys its own share back. Seen as a bullish sign.