

EU-Learning

Presented by:

Eureka Stock & Share Broking Services Limited



Education first, then investment

What is Market?

When you need to buy some vegetables or Fruits or Hardware Items or even jewellerys, where will you go?

Option A: One old lady selling some vegetables and fruits just besides your house or one hardware shop just opposite to your house or one jewellery shop on the way to your home.

Option B: Vegetable Market or Fruit Market or Hardware Market or Jewellery Market.

I am sure you all will opt for Option B. Why?

Because, at the Market, you will be get right item of right quality at right price.

Why does so happen?

Because, at the Market, lot of buyer and lot of seller assemble and trades are done properly. At the Market, if a single vendor or shop charges improper price or delivers improper quality, he will not survive.

So, Market is a place where lot of buyer and lot of seller assemble and trades are done properly. Market can be of any item – it can be of vegetables, fruits, hardware items or any thing, even of shares.

What is share?

According to Indian Companies Act

Company

Private Limited

Public Limited

Listed

Unlisted

Share is the unit of Capital of a Company. Shares of Only listed companies are traded in Share Market. Shares can be of mainly two types – Equity and Preference. Our dealings are only with Equity Shares.

- Where buyers and sellers of shares of listed companies assemble and trade, that market is called Share Market. Till 1994-95, physical existence of share market place was there, where shares were traded through open outcry like any other items are traded in the market. Post 1994, application of computer was introduced in share market and the trading system was completely changed from off-line to on-line.
- Since then, physical existence of share market place was abolished and an advanced share market was developed with the application of computerized trading. Presently, shares can be purchased and sold from every corner of the country.

Stock Exchange

- Stock Exchange is the Organization, where companies get listed their shares.
- Stock Exchange is the Organization which regulates and control the buyers and sellers of shares and take necessary steps so that Buyer's Bid and Seller's Offer match and trade takes place.
- Presently there are two major Stock Exchanges in our country for trading in Equity shares – Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

Primary Market and Secondary Market

What are the modes you can own shares?

You can get shares through allotment or you can purchase shares in the market.

When any public limited company needs fund to meet their business requirement, they go for fund raising. They can raise funds in various ways, one of the most popular mode is bringing Public Issue. They offer the shares of the company to the public and invites application from the public. This is called Initial Public Offer or IPO. They issue Application Form to the public, fix up a price of share for sale and fix up a time period for the public offer. Investors apply for the shares and the company allot shares to the public under the allotment policy adopted by the company. This application and allotment of shares is called Primary Market.

Secondary Market

- After the allotment of shares to the public investors, company needs to get listed their shares in the Stock Exchange.
- After listing, the trading in the shares starts. Who have been allotted the shares through IPO, they can sell the shares in the Market and who did not apply for the shares in IPO they can purchase from the market and sell in the market.
- At the time of application, the price of the shares are fixed up by the company. After listing of the shares, it is Market which determines the price of the shares.
- This purchase and sale of shares by the investors is called Secondary Market.

Market Participants

- The main participants of the share market is –
 - ❖ SEBI – Securities Exchange Board of India
 - ❖ Stock Exchange
 - ❖ Clearing Corporation
 - ❖ Bank
 - ❖ Depository
 - ❖ Stock Broker
 - ❖ Sub Broker
 - ❖ Investor

- SEBI is an organization formed under Finance Ministry of Govt. of India which administers and directs entire Capital Market operations and many other aspects like Mutual Fund etc.
- Stock Exchange is an organization which is recognised by and registered with SEBI which controls Primary and Secondary Market.
- Clearing Corporation is an organization which is recognised by and registered with SEBI which is responsible for clearing and settlement of trades.
- Banks play the vital role in movement of funds. It is to be specially mentioned that all transactions in the share market are done by account payee cheque only, not by cash.

- Depository plays vital role for movement of shares. Presently there are two Depositories in our country – National Securities Depository Limited (NSDL) and Central Depository Services (I) Limited (CDSL).
- An investor is required to have a Bank Account in his name for receipt and payment of funds, similarly he is required to have a Demat Account for receipt and delivery of shares.
- Stock Broker is recognised by and registered with SEBI, through which an investor can purchase and sell shares in the market. Investors can not directly approach to the Stock Exchange for purchase or sell shares, they have to participate in the market through a SEBI registered Stock Broker.
- Sub-Broker is recognised by and registered with SEBI, which acts like agent of the Stock Broker. It may not be possible for a Stock Broker to provide service to the huge number of clients at every corner of the country, so they appoint sub-brokers who can provide service to the clients at their locality.

What is Depository

Till 1996, the shares were in physical form. When investors applied for shares in IPO or purchased shares from the market, they used to get the shares in paper form which was called share certificate. This Share certificate used to contain Certificate Number, Folio Number and Distinctive numbers. When they were allotted shares in IPO, their names were mentioned on the face of share certificates. But when they used to purchase the shares from the market, their names were not mentioned on the face of share certificates. They had to get the shares transferred in the shares in their name to become the actual owner of the share.

This paper form of shares were very difficult to preserve, there was always chance for loss and misplacement or damage. When the holder used to send the shares to the company for transfer in his name, it used to take long time. Further, the transferee of the shares used to pay stamp duty for getting the shares transferred in his name.

Why the transfer of shares was necessary?

As per our Indian Companies Act, there is a difference between Shareholder and Member of a Company. Until and unless the shares are transferred in name of the shareholder, he does not become member of the company. It is only the member whose name is registered in the Register of Member of the company.

If anyone purchases the share, but the share is not transferred in his name, company does not know the name of the shareholder. Company recognises only the member for the purpose of dividend and other corporate benefits like bonus, rights etc. So, if anyone sells the share in short term and is not interested in corporate benefits, he might not get the shares transferred in his name. But if he intends to hold the shares for long term, he has to get the shares transferred in his name.

In 1996, the Depositories Act was introduced and the entire Stock Market operation was changed with this one of the greatest revolution in the Indian Financial Market.

In this system, shares are held in electronic form, not in physical form. The concept of share certificate was abolished and also the transfer of shares, stamp duty expense, time lag for the transfer of shares and preservation of papers. Investors need to open a Demat Account with a SEBI registered Depository Participant (DP) and the shares are kept in this demat account in electronic form. The system is exactly similar to the Bank Account. How?

When you deposit Rs. 5000.00 in your Bank Account, do you remember the serial number of the Notes? Is it like that Bank keeps your notes in your name and when you withdraw money, Banks returns to you exactly the same notes which you deposited and you tally the serial number of the notes? No obviously.

Then what is the proof that you have Rs. 5000.00 in your Bank?

It is your Passbook or Statement which reflects that there is a credit entry of Rs. 5000.00 in your name. Nothing more. So, the serial number of the currency notes are immaterial.

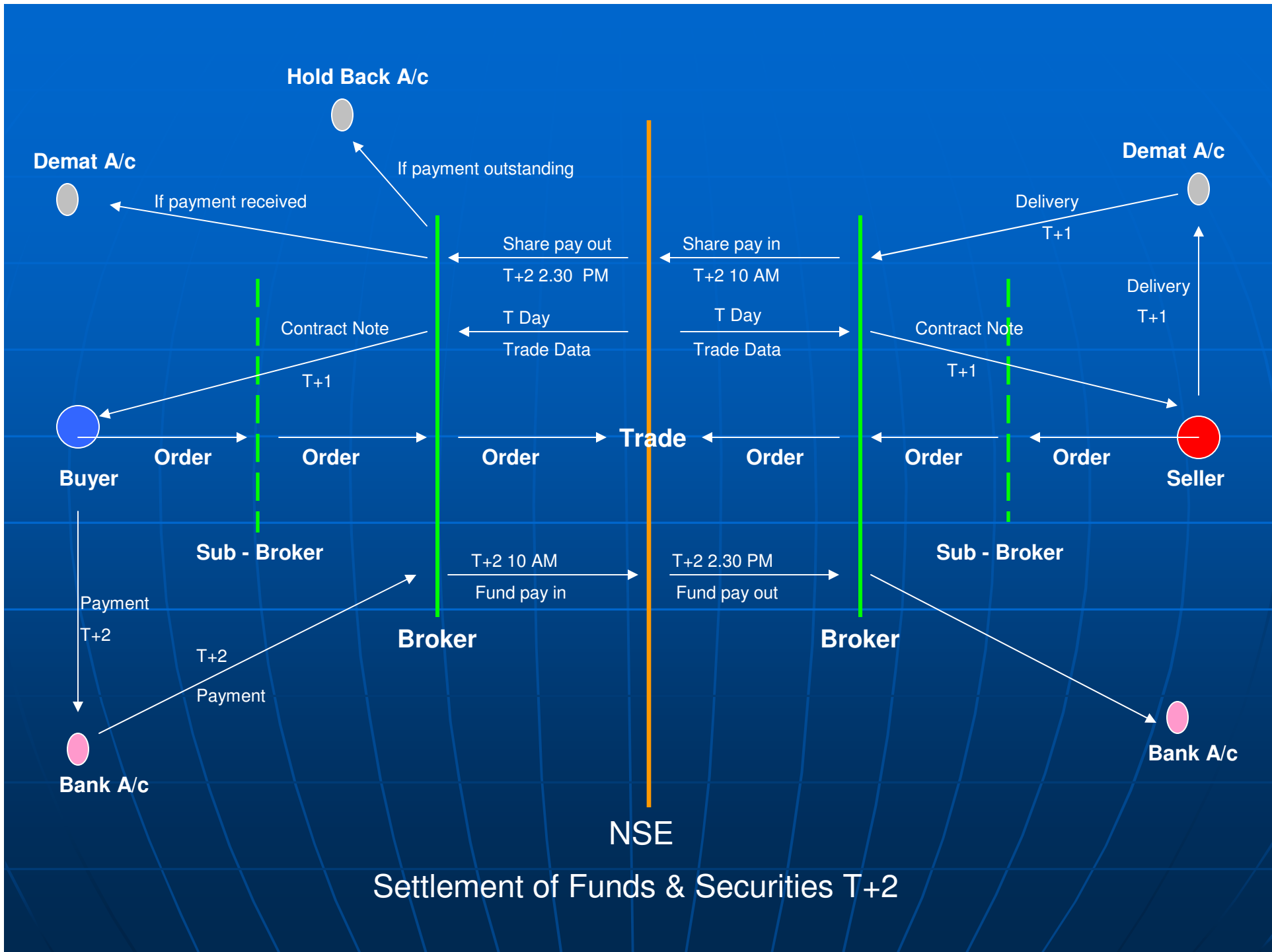
Similarly, the distinctive number of the shares are immaterial. You have a demat account, if there is a credit entry of 500 ITC in your name, that means you are holding 500 shares of ITC. It is book entry system.

When you are allotted shares in IPO or purchase shares from Market, the shares are credited in your account and since the account is in your name, you are the beneficial owner of the shares. No need of transfer, no need of stamp duty, no need of preservation of papers. Your shares are kept in custody of the DP, just like your money is kept in custody of your Bank.

- When you make payment to anybody, you draw a cheque in favour of the person whom you want to pay i.e, you instruct your bank to debit your account to the extent of the amount mentioned in the cheque. Similarly, there is a Demat Instruction Book (DIS Book) is issued to you by your DP by which you can instruct your DP to debit your account and credit some body else's account.
- If you still possess physical share certificates of old days, you have to get it dematerialised first to sell it. Your DP will guide you the procedure of dematerialisation. Presently, in an IPO, shares are allotted in demat form only.
- Company can check your name as a shareholder and you are entitled to all corporate benefits for the shares held in your Demat Account.

Clearing & Settlement

- Stock Market operations are not only Trading. A trade takes fraction of a second to take place. The actual process starts after trade is done. The buyer will pay money and get the shares. The seller will get the money and deliver the shares. This process is called clearing and settlement.
- NSE and BSE both the Exchanges have Clearing House to look after the process.
- Bank Account and Demat Account of the investors take part in this process.
- The whole process is divided into two parts – Settlement of Funds and Settlement of Securities. How does it take place?



Auction

You must have noticed in the settlement diagram that on T+2 morning, Fund Pay in and Securities Pay in take place. If buyer does not make payment within T+2 or even if he issues cheque but the same is not cleared within T+2, the Broker has to make payment to the Exchange on T+2 morning. This is compulsory for Broker. After making payment to Exchange, Broker follows up for the payment from the clients.

Similarly, the shares pay in also takes place on T+2 morning. If funds not received from the clients, Broker can arrange from its own. But, if shares not received from the client, there is no option that the Broker makes the Pay In.

Failure of Delivery can happen due to various reasons -

- Client may not have checked his holding and have sold excess quantity.
- Client have sold the shares which he does not hold – i.e, short selling, on the speculation that the price will come down. But, unfortunately the trend was opposite the client could not buy the same intraday.
- If client's demat account is with outside DP other than the Broker where he holds trading account, then after selling the shares he shall have to deposit the instruction slip with his DP for the necessary delivery. He fails to submit the instruction.
- He sold his share on T+1 (BTST) and the share which he purchased yesterday came short from Exchange.

- In BTST, suppose a client bought 100 shares on Monday. The share will be received by the client on Wednesday after 2.30 PM. Wednesday only 70 shares were received from the Exchange and 30 shares were short. Client sold 100 shares on Tuesday. Now the client shall have to make delivery of 100 shares on Thursday, but he received only 70 shares from Exchange on Wednesday.
- So, he will not be able to make delivery of 100 shares on Thursday.
- That is why, BTST Trade carries risk of short pay out. It is better to sell the share on T+3 after checking the pay out position.

- So, if the client fails to make delivery of shares, Broker will not be able to make delivery from its own. Short pay in will take place on T+2 morning.
- Buyer of the share will not receive the share, if the seller fails to make delivery. But, payment has been made for the purchase – either by the buyer or by the Broker on account of buyer. So, it is responsibility of the Exchange to give the share to the buyer broker.
- Then, Auction takes place.
- The Exchange buys the shortage quantity by conducting an open auction and gives them to the buying broker. The difference in price indicated in contract note and price received through auction is paid by selling member to the Exchange, which is then liable to be recovered from the client.

Auction takes place on T+3 day, i.e, next day of the pay in.

The clearing corporation draws up the list of shares not delivered by brokers at the end of the pay-in day, which is sent to all brokers on the auction day. Brokers get 30 minutes (termed Solicitor period') to place sell orders. They can offer their own shares, as well as their clients'.

Suppose you bought a share for Rs 100, which the selling broker failed to deliver. Another broker offers the share for Rs 112 at the auction. The clearing house gets Rs 100 from you, and pays Rs 112 to the successful broker. It recovers the difference (Rs. 2) and the penalty from the original defaulter. Had the auction price been Rs 90, the clearing house would have gained Rs 10, which goes to the exchange's investor protection fund.

- But, what if the shares don't come in during the auction session?
- This happens rarely: on an average, there are no sell offers for about 1-2 per cent of the shares put up for auction. In such a case, the transaction is settled at the highest recorded price between the relevant trading period and the auction day, or at 20 per cent above the last closing price, whichever is higher. This is called Close-out.
- The defaulting seller pays the difference between the original transaction price and the settlement price. As a buyer, you don't lose the amount paid for buying the shares, or miss out on any post-purchase price rise.
- As a buyer, you will get the square off credit i.e, you will not get the share and the amount received from the Exchange shall be credited in your ledger.

Presently the Settlement period is T+2.

Time will come when we will see more faster settlement i.e. T+1, if the Banking infrastructure gets more improved and electronic fund transfer gets more popularity.

Settlement of Funds and Securities involve huge amount of fund and huge quantity of shares on daily basis. Exchange assures success of each and every settlement and for this purpose Exchange have constituted a Settlement Guarantee Fund so that under any circumstance, the settlement takes place successfully.

Market Segment

There are broadly two segments in the Market –

Cash

Future & Options

We are presently dealing with Cash Segment. Futures & Options segment is different concept, we shall discuss it separately.

In Cash Segment, again, there are mainly two segments –

Rolling Settlement

Trade for Trade Segment.

Rolling Settlement (EQ in NSE and A / B / S in BSE)

In a rolling settlement, each trading day is considered as a trading period and trades executed during the day are settled based on the net obligations for the day. We generally work in this segment.

Trade for Trade Segment (BE in NSE and T / TS / Z in BSE)

In this segment, settlement of trades is done on trade for trade basis, i.e., only on delivery basis. If you purchase, you have to take delivery and if you sell, you have to give delivery. Doing Intra Day trades without having shares in holding is a very common mistake committed by the clients. So it is advised that please check the series of the share before entering the order. NSE and BSE issues circular from time to time intimating if any share is shifted from Rolling to Trade for Trade or vice versa.

Cost of Transaction

- Every day you come to the trading office, do trades. At the end of trading session, you check your position on trading screen. Some day you see there is profit, some day there is loss. Or, you take delivery and sell your delivery after some days when the price rises. But, do you know what is the cost of your transaction?
- If you calculate your profit or loss on the basis of market rate, you often will notice that your calculation is not tallying with your ledger balance.
- That is why you must know what is the cost of your transaction so that you can calculate your profit and loss more accurately or you may get a clear idea at what margin you should square off your trade.

Transaction Cost

Intra Day Volume	0.05% Brokerage (Broker)	S Tax 10.30% (Govt.)	STT 0.0125 (Govt.)	Stamp 0.002% (Govt.)	ToT 0.0035% (Exchg)	S Tax 10.30% (Govt.)	Total
100000.00 (Purchase + Sell)	50.00	5.15	12.50	2.00	3.50	0.36	71.51

Delivery Volume	0.50% Brokerage	S Tax 10.30%	STT 0.125%	Stamp 0.02%	ToT 0.0035%	S Tax 10.30%	Total
100000.00 (One Side)	500.00	51.50	125.00	20.00	3.50	0.36	700.36

Know your transaction

When you buy or sell, do you check your transaction?

You can check your transaction –

- From concerned dealer at the end of trading day. You will know the market rate only.
- From Contract Notes received from the company.
- From SMS received in your mobile phone. If your mobile number is changed, register your new number immediately.
- You can verify your trades from Exchange Website.

Exchange website: www.nseindia.com

National Stock Exchange of India Ltd. - Windows Internet Explorer provided by Rediff.com

http://www.nseindia.com/

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National Stock Exchange of India Ltd.

NSE
National Stock Exchange of India Limited

EQUITIES 10TORS 756.10 (0.69%) ▲ TATAPOW
FUTIDX 23%) ▲ BANKNIFTY 30-Sep-2010 957

Us | Equity | F&O | DEBT | SLBS | IPO | Indices | ETFs | MF | Corporates | Members | NSCCL | NCFM | Research | INVESTORS

S&P CNX NIFTY

Market Open @ 09:00 Updated @ 16:00:25 IST

MARKET CLOSED

As on Jul 08, 2010 16:00:25 hours IST

Index	Current	Pts Change	% Change
S&P CNX NIFTY	5296.85	55.75	1.06%

What's New

NAV of Hang Seng BeES : 1228.34
(As on Jul 08, 2010 15:50:18 hours IST)

NSE and CME Group Announces Cross-Listing Relationship

NSE and SGX to explore listing more India-linked products on SGX

SGX to offer Nifty options, related products

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Some other important aspects which you should know while investing

Face value of the share:

Face value of the share is the price which is fixed up when it was originally issued. Generally it is Rs. 10/- or Rs. 100/-. It has no relation with the market price. When the share is offered in public issue (IPO), the issue price consists of Face Value and some premium amount fixed up by the company and approved by SEBI.

Split:

Sometimes, management of the Company decides to split the face value of the share of the company. The reason for splitting the face value is a different chapter of discussion, but what you should know that the face value may be split from Rs. 10/- to Re. 1 or Rs. 2 or Rs. 5. After splitting, the market price decreases according to the extent of splitting, but it does not mean that the market price of the share fell down due to poor performance. If you have 100 shares of X and the market price is Rs. 100/- and the face value is split into Rs. 5/-, then the quantity of shares will be 200 and the market price will become Rs. 50/- as on Ex date and the value of your portfolio remains unchanged.

Bonus and Dividend

Shareholders are virtual owner of the company. It is not possible for the shareholders to run the company on day to day basis because they are not located at one place and they are very large in number.

So, they appoint a Board of Directors to run the show and the Board of Directors are responsible for every affair of the company. Shareholders check the annual result when they meet once in a year, which we call Annual General Meeting (AGM) and also check the performance of the company.

If the company makes profit, management of the company proposes to pass on some part of the profit to the owners i.e, shareholders.

The mode of sharing profit of the company with the shareholders are basically of two types – Payment of Dividend in terms of cash and Issue of Bonus shares at free of cost in terms of shares.

Almost all good and profit making listed companies pass on Corporate Benefits to the shareholders. Some companies pay dividend once in a year and some companies pay more than once in a year. Some companies issue bonus shares once in few years.

When bonus is issued, like splitting, the market price quoted decreases according to the ratio of bonus. If 1:1 bonus is issued i.e, one bonus for one existing share, the market price halves as on the ex date. It is simple story of Demand and Supply. When supply increases, demand decreases. When bonus is issued, quantity of share increases and the price decreases.

Right shares

Some times, companies issue further shares in market but not to the general public, only to the existing shareholders. It is not issued at free of cost like Bonus, but the price is fixed such a way that the existing shareholders would be interested to apply for it at a better price than the market price.

Record date

The number of shareholders of a company is very large and everyday lacs of shares of the company are changing hands. So every day, the shareholding pattern of the company changes. It is not possible for the management of the company to track every day's changes. But the name of shareholders must be fixed for issue of any Corporate Benefits. So, what they do is they fix up a date which is announced publicly, a cut off date – as on that date who will own the shares of the company, they will get the corporate benefits. This date is called Record Date.

Quarterly results of companies

As per the listing agreement signed by the listed companies, all listed companies are required to publish un-audited accounts for every quarter within 30 days from the end of the quarter. It is stipulated by SEBI for the reason that shareholders / investors should know the financial condition of their company on periodical basis. For example, for 1st quarter April to June, the un-audited accounts must be published within 30th July. Companies will declare the date of Board Meeting at which the accounts will be published.

All financial results audited and un-audited, corporate announcements, corporate benefits, shareholding pattern as on quarter end and other information are published in the website of the Exchange.

You need to be familiar with the website of NSE and BSE if you want to be well informed.

Inflation – a term much talked about:

- Inflation is an increase in the average level of prices for goods and services. In other way, we can say it is an index, which shows how prices of goods and services that is representative of the economy as a whole are growing.
- The immediate effect of inflation is the value of rupee decreases. That means the purchasing power of your 'money' decreases. If you want to understand it better, consider the below example.

Date : 31st December 2009

Price of 1KG rice : Rs 25

If the inflation raises 10% annually (i.e. if inflation throughout the year is 10% - just assume this) -

- Then the price of 1KG rice after 1 year (i.e on 31st December 2010) will be $\text{Rs } 25 + 2.50 = \text{Rs } 27.50$
- That means, you need Rs 27.50 to buy the same 1 KG rice after 1 year just because inflation is 10% annually. In other words, you can't buy the same 1 KG rice with your Rs 25 money anymore, which you could buy in the year 2009 i.e. purchasing power of your 'money' gets reduced.
- So, the rise in inflation rate gives us an idea that price of goods and services are getting high, purchasing power of money getting reduced, supply of money increasing and demand for money decreasing, supply of commodity decreasing and demand for commodity increasing.

The rate of inflation required to be optimum. Its much rise is not wanted as well as its much fall is also not wanted.

Presently you must have noticed that Monsoon has become a very important aspect in share market. A good monsoon results in good harvest and production of food crops, i.e, increase in supply of food articles, i.e, decrease in price of food articles, i.e, decrease in Inflation rate.

There are many other factors which control the rate of inflation. Another very important aspect is price of Crude Oil in International Market. Since our country does not have much mineral oil in store, we have to import the crude petroleum to a very high extent to meet the domestic requirement. If international oil price increases, our major Oil Marketing Companies like IOC, HPCL and BPCL have to purchase the crude at higher price.

- But, they can not increase the price of refined product accordingly, due to the social responsibilities of Government. So they are forced to incur loss.
- Government have to spend huge amount in account of subsidy in Petroleum. When the crude oil price rises extremely high, Government has no other option to increase the price of petroleum products to save the Oil Marketing Companies. This also causes rise in inflation, because rise in price of Petrol, Diesel, LPG etc will cause rise in price of almost every commodity and transport.
- In order to restrict the rise in inflation rate, Reserve Bank of India who is responsible for monetary stability in the country intervenes and take necessary steps to reduce the supply of money from the market so that the demand for money increases and thus purchasing power of money increases and rate of inflation decreases.

Reserve Bank of India hikes the rate of interest to arrest the increase in rate of inflation. There are various type of interest rate which carry significance in controlling inflation-

CRR, Repo Rate and Reverse Repo Rate – these are very well known terms and much talked about. Let us see what are these rates and how it controls inflation.

What is CRR Rate?

CRR is Cash Reserve Ratio . It is the ratio of deposits which banks have to keep with RBI. When you deposit Rs 100 to your bank , bank gets Rs 100 and can use this money to lend others , but they have to put some part of it with RBI. if CRR is 8% , they will have to deposit Rs. 8 with RBI and they are left with Rs 92.

So when CRR is decreased, Banks are left with more money to lend and when it is increased they are left with less , even though 1% decrease in CRR leaves bank with Rs. 93 instead of 92 , this Re 1 is big enough thing .

What is Repo Rate ?

When you take loan from some bank you pay interest for that in the same way, these banks also take short term loans from RBI , and the interest RBI charges from them is called Repo rate.

What is Reverse Repo Rate?

Banks also give loan to RBI. The rate of interest which RBI pays to banks is called reverse repo rate.

How is Repo Rate linked to the interest we pay for loans from Bank?

Banks need to charge more interest than they are paying, so if repo rate is 8% , they will charge more than 8% for loans which they give, If Repo rate comes down, banks may also consider the interest rate they charge us.

So, if repo rate is hiked, loan from banks will become more costly. So, stocks of those companies whose sales depend on bank loan – like Auto and Real Estate, may react negatively.

What is Money Creation?

How do money gets created ? When A gives 100 to B , Rs 100 is created for B , then when he gives this to C , 100 is again created for C , this way money creation happens for different people from that same 100 .

How does CRR help in reducing inflation?

Suppose CRR is 8%. You had Rs. 100 , which you deposit to bank , now bank will Deposit 8 to RBI and lend this 92 to some one. This 92 will be another money which is created for someone, now this 92 will exchange hands and then come back to bank somehow, out of this 92 again bank will deposit 7.36 to RBI and then lend the rest of it to someone ... and it goes on like this.

Suppose this Rs. 100 actually generates Rs. X in the economy indirectly. What will happen if CRR is increased by 1%, from 8% to 9%, though it may look like this is a small change but it would affect a lot. Suppose now Rs. 100 generates Rs. Y.

It is clear that $Rs. Y < Rs. X$. So the same Rs. 100 is now generating less money in the market.

How does Repo Rate and CRR help?

When repo rate is increased, the banks have to pay higher interest to RBI and they also charge higher interest from common public which gets discouraged to take more credit from banks, because of which there is less supply of money in system and there is less Liquidity.

If CRR is increased, banks have to deposit more money with the bank and it results in less money creation in economy, and hence people have less money to buy things and they will think twice before paying higher price for something.

So in short Repo Rate and CRR are two tools which RBI uses to control the liquidity in country and as Inflation is linked to liquidity, it can be controlled to a great extent .

Actually, hike in interest rate and growth of the economy are two opposing factors. Hike in interest rate results in less credit from Bank and more deposit with Bank, which is negative for the industrial sales growth. But, Government too has some social responsibilities and reckless increase in inflation also must be restricted. So, hike in interest rate for the sake of controlling inflation is necessary.

When rates are hiked, market reacts negatively and when rate is cut market reacts positively. When CRR is hiked, Bank stocks specially react negatively. Generally only Repo and Reverse Repo are hiked, CRR is hiked in case of very bad economic scenario.

Presently, our inflation rate is a concern and recently RBI has hiked Repo and Reverse Repo to the extent of 25 basis points or 0.25%. A good monsoon can ease the inflation. We know that last year monsoon deficit was beyond control and food crop production was very less, which is causing the present inflation.

IIP Number

IIP number or IIP data (Index of Industrial Production) is a measurement which represents the status of production in the industrial sector for a given period of time compared to a reference period of time.

IIP number is one of the best statistical data, which helps us to measure the level of industrial activity in Indian economy. Please note that IIP data is a short-term indicator of our industrial growth till the actual results from Annual Survey of Industries (ASI) is published. IIP data is a very important indicator to the Government for planning purposes.

A good IIP number makes the market happy. It is a relative figure. You will not understand until and unless it is compared with the previous number.

World Markets

Although Indian economy is one of the fastest growing economy in the world, its banking system is stable and monitored by the Government to a great extent, but its Stock Market is tightly correlated with World Markets. The main fund flow comes from FIIs. Fund flow from FIIs depend highly on world market scenario.

Some major world market index are –

Dow Jones, Nasdaq, S&P 500 – USA (Starts at 7.30 PM IST)

CAC 40 – France (Starts at 12.30 PM IST)

DAX – Germany (Starts at 12.30 PM IST)

FTSE 100 – UK (Starts at 12.30 PM IST)

Shanghai Composite – China

Hangseng – Hongkong

Nikkei 225 – Japan

Straits Times – Singapore

Taiwan weighted – Taiwan.

SGX Nifty – Singapore

All of these open at morning before Indian Market opens.

SGX a.k.a Singapore Exchange is the premier stock exchange in ASIA located in Singapore. As Singapore is considered as the financial hub in south-east Asia SGX has launched several products for investors in Singapore to take bets on different South Asian Indices. One of the most popular derivative product is the SGX NIFTY as it allows FII to take positions in the Indian market. The SGX NIFTY is futures product where the underlying is the NIFTY Index from NSE.

The NIFTY index is made up of 50 stocks which are supposed to represent the Indian economy. The SGX NIFTY is settled daily based on the closing price of NIFTY index on NSE.

The SGX Nifty opening price, which opens at morning before our NSE and BSE open, give us an idea about how our Indian Market may open.

So, there are several factors on which the Market Movements depend. You have to be informed, educated and smart enough to be successful in the Market. Like many other profession, earning money is not very easy here. It is not gambling or online lottery. You have to earn in exchange of lots of study, labour and discipline.

So, please read newspapers, watch television, watch various decisions taken by Government, policies made by Government, visit websites of NSE, BSE, SEBI on regular basis.

Moral of the story: Knowledge is power.

Thank you