



Important terms in share market and in share trading

- **Open** - The first price at which the stock opens when market opens in the morning.
- **High** - The stock price reached at the highest level in a day.
- **Low** - The stock price reached the lowest level in a day.
- **Close** - The stock price at which it remains after the end of market timings or the final price of the stock when the market closes for a day.
- **Volume** - Volume is nothing but quantity.
- **Bid** - The Buying price is called as Bid price.
- **Offer** - The selling price is called offer price.
- **Bid Quantity** - The total number of shares available for buying is called Bid Quantity.
- **Offer Quantity** - The total number of shares available for selling is called Offer Quantity.
- **Buying and selling of shares** - Buying is also called as demand or bid and selling is also called as supply or offer. First selling and then buying (this only happens in day trading) is called as shorting of shares or short sell.
- **Share Trading** - Buying and selling of shares is called share trading.
- **Transaction** - One complete cycle of buying and selling of shares is called One Transaction.
- **Squaring off** - This term is used to complete one transaction. Means if you buy then have to sell (means square off) and if you sell then you have to buy (means square off).
- **Limit Order** - In limit order the buying or selling price has to be mentioned and when the share price comes to that price then your order will get executed with the price mentioned by you.
- **Market Order** - When you put buy or sell price at market rate then the price get executes at the current rate of market. The market order get immediately executed at the current available price.
- **Stop Loss Orders** - Stop loss orders ("stops") are limits set by traders at which they will automatically enter or exit trades - an order to buy or sell is placed in the market if price reaches a specified limit. A stop loss order is set to limit a trader's potential loss. The stop loss is placed below the current price (to protect a long position) or above the current price (to protect a short position).

Learn Indian share Market Trading

Types of Share trading

Methods of buying and selling

What is called share trading in share market?

Trading means buy and selling and share trading means buying and selling of shares in share market.

Types of Share Trading

Mainly there are two ways of share trading.

1) Online Share Trading

2) Offline Share Trading

A) Online Share Trading

B)

C) Doing share trading with help of computer, internet connection and with trading and demat account is called Online Share Trading. If you would like to do online share trading then you need to have a computer, internet connection and online trading account. If you are planning to do trading yourself then opening online share trading account is advisable. Basically people use online share trading who want to trade themselves.



Essential of Online Share Trading

- 1) Online trading account - You have to open an online trading account with any of the bank or financial trading system like There will be nominal annual charges but in fact nowadays some of them are offering free accounts.
- 2) To have the list of brokers please see the bottom of this page. Please also read the certain precautions which you need to take while opening the demat and trading account.
- 3) A computer with internet connection but nowadays some people do trading in internet cafe. Due to fall in electronic prices the computers are available at very affordable prices in the market. If you have electricity problems then you also need to have inverter. Nowadays you can get internet enabled on your cell phone (which is called GPRS) whose speed will be sufficient to do trading and also the charges of GPRS are very nominal. Also internet broadband connection is available.
- 4) After successfully opening the online trading account you will receive the username and password with the help of which you can login in online trading system and trade yourself.
 - 4) The trading system executive (with whom you opened trading account) will help you initially about how to use the online trading system. But in fact you can request for demonstration of their trading system before you open the trading account with them. Once you get familiar with the system then you can trade yourself at your home or in the internet cafe.

Benefits of Online Share Trading

- 1) There is no need to depend on any broker or anybody else to place the order or to square off your order. In short you are the boss of your own to do trading (buying and selling) of shares.
- 2) Its reliable, convenient and you can take your own decisions yourself by actual seeing or analyzing the market on the computer screen instead of calling the broker all the time.
- 3) It's not possible or practical for a broker to update you about each and everything about the share market, news which will influence or affect the share market. Because he may be having many other customers like you and even if he updates you it would be late and this news would have been affected the concerned sector or share. So if you are doing online trading yourself, then you may save yourself from big disaster by booking profit or by coming out of the stock.
- 4) You will get news and updates on various websites and also on your online trading system and most of the information will be free of cost. Please note - "Always remember share market always get influences (or affected) by the appropriate news. So get updated or be in touch with news all the time. This will benefit you always.
- 5) By doing online trading yourself, you can see and judge where market (or your share) is heading by seeing different graphs online yourself, which is not possible if you're trading through broker. Some online trading systems have graphs integrated in their system, so your job is to just add those graphs and check the status of current market (or share) and depending on your analysis you can take steps towards successfully trading. (How to analyze graphs are mentioned in different sections).



6) All your transactions and related documents can be seen online and can also be downloaded to your PC without depending on your broker. You can also check the status of your amount on daily basis through your online trading system.

B) Offline Share Trading

Doing share trading with the help of broker or through telephone is called offline share trading. In other words trading will be done by another person on your behalf based on the instructions given by you. The other person would be a broker. The broker will do buying and selling of shares on your behalf depending on the instructions given by you. So in offline share trading you don't need to have computer, internet connection but you need to have the offline demat account.

Different methods of buying and selling of shares

Following are the two methods of buying and selling of shares in Indian share market.

- 1) Market Order
- 2) Limit Order

1) Market Order

- 2) When you put buy or sell price of a stock at market rate or select market order option in trading terminal then the price gets executed at the current rate of market. The market order gets executed immediately at the current available price. In market order the shares will get executed at the best current available price. Market order is used if you want to execute your order very fast and at available price. If you wish to buy or sell shares at any specific price then market order is not suitable for you then have to go for limit order. Market order is for those who want to buy or sell immediately at the current available price.

3)

2) Limit Order

It's totally different from market order. In limit order the buying or selling price has to be mentioned and when the share price comes to that price then the order will get executed. But here it's not sure that the price will come to your limit order and the order gets executed. In other words in limit order the specific price is mentioned and trader or investor wait till the stock price reaches that price and once the stock price reaches that price then the order will get executed. Day traders have to take very precaution while using limit order, especially who make use of margin amount in day trading, because you have to close all your transactions before 3:30 PM and if in case the price doesn't reach to your limit order then your order will be open (pending) and then you have to go through the penalties. Importantly limit order and stop loss order are used together to minimize the risk.

Stop Loss Order

Stop loss orders are used to reduce or to minimize the losses. This is a very important term especially if you are doing day trading (intraday trading). Stop Loss order as the name indicates this is used to reduce the losses. In Stop loss order the trigger price has to be mentioned, by the trader, and once the price reaches the trigger price the order gets executed with the best price available between the trigger price and the limit price. For example - Suppose the trader bought the Reliance Industries at Rs 1000. So he puts the following order to protect his losses. The limit order of Rs 990 and stop loss trigger price at Rs 985. So if the Reliance Industries stock price starts falling and if it reaches 985 then his trade executes with the current market available price.

Note - The stop loss trigger price is placed below the limit price in buy order and above the limit price in sell order.



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Different types of Share trading

1) Day trading and

2) Delivery trading (it is also called as investing) are the two main types of share trading.

1) Day trading

Buying and selling of shares on daily basis is called day trading; this is also called as Intraday trading.

Whatever you buy today you have to sell it today OR whatever you sell today you have to buy it today and very importantly during market hours that is between 9.55 am to 3.30 pm (Indian time). In day trading, brokers provide margin to do trading. Means you get extra amount for day trading. Suppose if you have 10,000 rupees in your account then you can buy and sell shares worth rupees 40,000 (four times more - basically margin amount depends on your broker). So if you use margin amount for day trading then you have square off your shares before market closes irrespective of share price or whether you are making loss or profit.

Please note - If you don't use margin amount and trade only with your available amount then no need to square off your positions. For example if the you buy some shares and the share prices falls then you can hold them and take delivery and sell them whenever the share prices increases.

Important note - New comers should not start by day trading as it is very risky. Day trading requires lots of knowledge including share, entire share market, global markets, news and many more parameters.

2) Delivery Trading

In Delivery Trading, as the name say, you have to take the delivery of shares and after getting these shares in your demat account you can sell them at anytime (or you can hold them till you want, there is no restriction). In delivery trading you need to have the amount required to buy share in other words you don't get margin amount as you get in day trading

For example - If you want to buy 10 shares of Reliance at price 1200 than you must have (100x1200) Rs 12,000 in your account; once you purchased these shares will get deposited in your demat account (after trading day and 2 additional days). Then you can sell these shares when the price of these shares goes up or else you can hold them as long as you want.

Please Note - First you have to buy and sell. You can't sell before buying in delivery trading while it's possible in day trading which is called as short selling.

Fundamental and Technical analysis in Indian Share Market

Basically the investment and trading decisions are done with the help of two important tools.



1) Fundamental analysis

2) Technical analysis

Above mentioned two tools are widely used by investors and share traders but analyzing differs from traders to traders or from investor to investor.

First of all let's see what these tools mean –

- 1) **Fundamental Analysis** The name itself indicates that this analysis is totally based on companies' fundamentals. Basically the fundamental analysis is used to analyze the company fundamentals for mid term to long term investment or even some analyst use for short term investment especially during the announcement of quarterly results. Like if the company is going to declare the good quarterly results then investors buy them before the results announcement, like one month before, and sell them as the price increases after the result announcement.
- 2) Following are the few fundamental parameters used to forecast and analyze the companies current and future growth. Like,
 - What is the company all about?
 - The analysis of quarterly, half yearly and annual financial reports.
 - What are the Company's expansion and future plans?
 - How is the Management - like board of directors, chairman, CEO etc
 - The Companies involvement in foreign investment/collaboration or stake etc. and finally depending on these factors and many others, fundamental analysts have prepared certain fundamental ratios which will be used to forecast the company's current valuation, future growth prospects, its debt and many more things.

Fundamental Ratios like –

- PE (price to earning) ratio
- EPS (earning per share) ratio
- Book value
- Working capital ratio
- Return on equity ratio
- Debt equity ratio

Based on these terms and other fundamentals terms, the analysts predict the movement of share prices whether it will be good investment or bad investment in coming future.

3) **Technical Analysis**

Technical analysis is second analysis tool for short term or for day trading. As fundamental analysis is used for long term investments analysis likewise technical analysis is made for day trading or short term trading. Technical analysis is nothing but study of charts made of four important numbers which are open price of the share, high, low and closing price of the share. Technical analysis also make use of volumes, support and resistance levels, technical indicators and other parameters which are useful to analyze the share price movements in short term or in day trading.

Trading and investment types

Day trading

Buying and selling of shares on daily basis based on market movements, global market movements, technical analysis, and previous volumes and many other related parameters is called as day trading.



What is the meaning of Short Term Trading or investing?

Share trading done from one week to couple of months is called short term. Basically technical analysis is used for short term trading. But as there is no any fixed criteria for trading some traders even do short term trading based on news, Company's announcements of quarterly results, news of merger and acquisitions etc

Mid term Investing

Share trading done from one month to couple of months, say six months to one year or two years is called mid term trading. Fundamental analysis, Company's announcements of quarterly results, are the basic parameters used for mid term trading or investing. Some technical analysis even make use of technical charts and indicators for mid term trading.

Long term Investing

Investment for couple of years is called long term investing. Long term investment may continue from one year to 10 years or even more. Long term analysis is purely based on fundamental analysis of the company. But it doesn't mean that once you do the fundamental analysis and invest for 5 years and forget it. No. The financial quarterly results or half yearly results of the company should be revived and monitored how the company is performing.

Information of online shares trading.