

The ABC of Stock Market

The Do's and Don'ts

CapitalVia Global Research Ltd.

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ABC of Stock/Commodity market

Stock Market is a place where the trading takes place. A place where lots of money is invested to buy stocks and lots of money is earned while selling stocks. Some people go with profit and some people carry losses. But still for a trader it's a everyday game. And in games there are certain rules and regulations to be followed then only you can't make strategies and plans and play the game according to it and win it. For a new trader the first thing to know about is where to invest, how to invest, how much to invest and win the game of investment.

Now the question is how to invest?

When an investor starts investing in the stocks or the commodity market he has some prominent exchanges to invest in. Few important ones are as follows:

1.

BSE (Bombay Stock Exchange): BSE is the oldest stock exchange in Asia and has the greatest number of listed companies in the world, with 4700 listed as of August 2007. Here the trading in stocks takes place. It is located at Dalal Street, Mumbai, India. On 31 December 2007, the equity market capitalization of the companies listed on the BSE was US\$ 1.79 trillion, making it the largest stock exchange in South Asia and the 12th largest in the world. BSE's key index is sensex.

2.

NSE (National Stock Exchange): It is the largest stock exchange in India in terms of daily turnover and number of trades, for both equities and derivative trading. NSE has a market capitalization of around Rs 47,01,923 crore (7 August 2009) and is expected to become the biggest stock exchange in India in terms of market capitalization by 2009 end. NSE's key index is Nifty.

3.

MCX (Multi Commodity Exchange) : MCX is an independent commodity exchange based in India. It was established in 2003 and is based in Mumbai. The turnover of the exchange for the period Apr-Dec 2008 was INR 32 Trillion. MCX offers futures trading in Agricultural Commodities, Bullion, Ferrous & Non-ferrous metals, Pulses, Oils & Oilseeds, Energy, Plantations, Spices and other soft commodities

4.

NCDEX (National Commodity & Derivatives Exchange Limited) : NCDEX is an online commodity exchange based in India. It was incorporated as a private limited company incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate for Commencement of Business on May 9, 2003. It has commenced its operations on December 15, 2003. NCDEX is a closely held private

company which is promoted by national level institutions and has an independent Board of Directors and professionals not having vested interest in commodity markets.

What are stocks?

Plain and simple, stock is a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. As you acquire more stock, your ownership stake in the company becomes greater. Whether you say shares, equity, or stock, it all means the same thing.

When you buy the shares of a company you become one of the many owners of that much portion of a company. In other words you own a part of the company.

How to trade in stocks?

An investor can open the required accounts (Demat and Trading) with a registered broker with NSE or BSE (whichever exchange he want to deal with) and start purchasing and selling the stock of his wish.

What are Commodities?

A commodity is some good for which there demand is, but which is supplied without qualitative differentiation across a market. It is a product that is the same no matter who produces it. Generally, these are basic resources and agricultural products such as iron ore, crude oil, coal, ethanol, salt, sugar, coffee beans, soybeans, aluminum, copper, rice, wheat, gold, silver and platinum in which trading is done throughout the Commodities of the world.

How to trade in Commodities?

For trading in commodities an investor have to open a commodity account with either MCX or NCDEX (whichever commodity exchange he wants to trade in) and start buying and selling commodities.

But dealing with the stock and the commodity market is nothing less than solving a complicated problem in mathematics. You have to apply algorithms, use formulae, study trend and above all analyze the market properly before you actually start investing. Without all these steps your money will go in waste and you may incur huge losses.

Some of the basic tips for increasing profits and minimizing losses in the stock and the trading market are:

- 1. Cut Your Losses**
- 2. Let Your Profits Run**
- 3. Follow the Trend**
- 4. Don't Overtrade**
- 5. Always Trade Liquid Stocks**
- 6. Keep Positions Small**
- 7. Don't Buy Something Because it Looks Cheap**
- 8. [Take tips and advises](#) from proven experts.**

So if you are planning to invest in the stock and the commodity market then see, analyze and then act. There are many tips providing companies which are giving tips on how and where to invest your money in the share market. They tell you exactly which stock is beneficial to invest. They give you ideas about when and what to buy and when to sell. Follow the rules and you will surely be the winner. One of the leading among such advisors giving tips and recommendations on stock investment and investment in commodities is CapitalVia Global Research Limited.

Simply log onto to www.capitalvia.com for more information and subscribe for FREE trial.

Futures Trading – Do's and Don'ts

A common problem that many futures traders run into is that they start trading, make some decent profits, then all of the sudden they encounter what seems to be an endless stream of losses. Eventually they end up losing their profits and eating away at their trading capital as they struggle to try and figure out what they are doing wrong. To be successful in futures trading, you must know what the common pitfalls are and what you can do to profit in the different futures markets. Here are the most common mistakes of futures traders and what you need to do to be a good futures trader.

Common Futures Trading Mistakes

All successful futures traders have a system in place that will help them make better trades and effectively keep losses to a minimum. These strategies have been developed over time by the traders themselves or in combination with other trading systems. You can improve your odds of success by avoiding the common mistakes that many make when their new strategy is starting to work for them. These include:

1. Not Sticking With Your System

Just when a trading strategy is starting to show promise, many traders will deviate or abandon the system that they are using. This change means that you will not be able to unemotionally evaluate the market, leading to incorrect analyses and ultimately, losses. Instead, when you start to see signs of a change in trend taking place, you should be prepared to adapt your strategy to the changing conditions. This gives you the flexibility to make consistent profits in any type of market.

2. Not Protecting Yourself

Futures trading (like all trading) does involve a certain degree of risk, so it is important to protect yourself. There are a few ways to do this, such as using a sell or buy stops to limit your losses to a comfortable level, or by using hedging strategies like buying puts. This will keep your losses to a minimum while maximizing your profits.

3. Not Staying Focused

To trade successfully, your undivided attention is required to be able to read and evaluate the markets effectively. Sometimes distractions are unavoidable, but you always want to have as few distractions as possible when you are trading. This will help you to focus properly, thus increasing your odds of more profitable trades.

4. Not Being Open to New Ideas:

The markets are always changing. No matter how great you think you are as a trader, there's always a new idea that can help you improve your trading results. Too often, traders get caught up in thinking that they already know enough and they aren't willing to learn anything new. As the market conditions change, this type of trader is left behind with nothing to show but losses. However, if you remain open to new ideas, you will be able to change with the markets - and profit consistently, no matter what they do.

How to Be a Better Futures Trader

A good futures trader is someone who can profit in any type of market condition. Traders come from many different backgrounds and lifestyles, but most good futures traders are:

1. Independent Thinkers

Great futures traders think for themselves. They follow what is happening with world-related events, the markets and other factors to make their trading decisions. In times of collapsing prices, they avoid panic and seek out paths to profit by using bearish strategies. Conversely, they do not get caught up in greed when others are feeling like prices will continue to rise with no inevitable correction. Avoiding this kind of crowd mentality allows the best futures traders to position themselves and profit at the right time.

2. Strong Analysts

To be a good futures trader, you must understand technical and fundamental analysis. The more you are able to apply your understanding, the better you will be at spotting trading opportunities. To do this you want to learn as much as you can about all the different forms of analysis. This will help you gain the knowledge and the experience necessary to make better trades. While this may seem like an enormous task, in reality it's not. It can be done during your leisure time by reading different books, magazines, visiting futures-related websites, watching the news and by paper (practice) trading.

3. Active Learners

To continue learning new ways of trading, consider going to seminars or other events where you can interact with other traders and learn to accept and use new ideas. This allows you to learn from other traders' mistakes, meaning that your odds of having more successful trades increase.

4. Handy with the Tools of Their Trade

When you are trading futures information is key. You want to make sure that you have the ability to place trades 24 hours a day, have real time quotes, software to help you analyze the markets quickly and be able to receive fast executions. With these tools you will be able to react quickly to the changing share market conditions.

The Bottom Line

Being a good futures trader means staying informed. Inform yourself about different forms of analysis, different strategies and learn from the mistakes of others. Trust in your well-researched strategy and your diligence will pay off. By following these simple tenets, you are increasing your odds of seeing more profits and fewer losses in these challenging yet rewarding stock market.

5 Tips to Rule in the Bull Market

Bull market is a financial market of a group of securities in which prices are rising or are expected to rise. The term "bull market" is most often used to refer to the stock market, but can be applied to anything that is traded, such as bonds, currencies and commodities.

Bull markets are characterized by optimism, investor confidence and expectations that strong results will continue. It's difficult to predict consistently when the trends in the market will change. Part of the difficulty is that psychological effects and speculation may sometimes play a large role in the markets.

But if you keep your cool you can rule in the bull market. Here are five key points to remember -

Rule 1

Stick to the desired asset allocation

Asset allocation is the key to successful investing, say experts. Even though equities may outperform debt substantially, it will not be wise to put all your investments in equities.

Investors should allocate assets among various asset classes -- primarily equities and debt -- based on their risk appetite. Given the exuberance in the stock market now, it may be wise not to be overweight on equities.

In other words, commit exactly what your financial planner would suggest depending on your age and other financial goals. More importantly, you need to review the portfolio periodically and rebalance it.

In bullish times, the value of equities tends to rise faster and the equity portion in the portfolio can become disproportionately higher. Downsizing the equity component to stick to the original allocation can help in guarding asset values when the markets fall.

Rule 2

Distinguish between stocks for keeps and trading

When you buy a stock, be clear about your objective behind the purchase -- whether you have bought the stock as an investment or a trading bet. Trading stocks are not bad as such. But they require you to work harder and act quicker.

Rule 3

Buy with adequate margin of safety

That's where attractive purchase prices can help. As a matter of fact, selling stocks is no different from buying them. "If purchasing a stock because it is undervalued, by the same logic, you should get out when it is overvalued. The key is to understand the worth of the stock at any given point," says Raamdeo Agrawal, managing director, Motilal Oswal Securities.

He recommends keeping a sufficient margin of safety when buying a stock and not relying on making a good sale ever. "As long as I am prudent in deciding my purchase price, even a mediocre sale gives me a good return on investment, or at least helps me conserve my capital," says Agrawal.

Also, it is important to remember that the real cost of a stock is not the price you pay for it, but the opportunity cost of not putting your money in another stock with a greater potential to rise. Let's say you hold a smaller pharma company stock and find that a larger one is also available at the same multiple. It may make good sense to switch.

"A larger company, with more liquidity and visibility, will be preferable," says a leading fund manager. While buying a stock most investors look to buy the cheapest of the lot. Indeed, that is the right approach. However, it may not be a good idea to buy a stock just because it is cheap.

Rule 4

Sell when value is realized

Some stocks may rise sooner than you may have anticipated. In a frenzied bull run, investors may see their target prices being met in a matter of days.

Here time should not be of any consequence. In fact, several stocks have more than doubled over the past one year. So it may be time for investors to take home some profits.

If you feel that your investments are adequately valued, you should exit regardless of how long you have held them.

Rule 5

If you realize a mistake, exit

Even while we are talking about selling stocks in a bull market, experts emphasize that if investors make mistakes, they should exit immediately even at a loss.

If you realize that your analysis was flawed or that you got carried away, it's good to get rid of a stock as soon as possible. Waiting for a better price at such instances may prove to be quite dangerous.

What trading Animal are you??

The stock market is a place where a very interesting game goes on. And in a game there are winners as well as losers. Seeing the outlook of the traders they can be classified into four animals.

There are bulls, the bears, the chicken and the pigs. Which animal you are?

The Bulls

A bull market is when everything in the economy is great, people are finding jobs, gross domestic product (GDP) is growing, and stocks are rising. Things are just plain rosy! Picking stocks during a bull market is easier because everything is going up. Bull markets cannot last forever though, and sometimes they can lead to dangerous situations if stocks become overvalued. If a person is optimistic and believes that stocks will go up, he or she is called a "bull" and is said to have a "bullish outlook".

The Bears

A bear market is when the economy is bad, recession is looming and stock prices are falling. Bear markets make it tough for investors to pick profitable stocks. One solution to this is to make money when stocks are falling using a technique called short selling. Another strategy is to wait on the sidelines until you feel that the bear market is nearing its end, only starting to buy in anticipation of a bull market. If a person is pessimistic, believing that stocks are going to drop, he or she is called a "bear" and said to have a "bearish outlook".

The Other Animals on the Farm - Chickens and Pigs

Chickens are those traders who are afraid to lose anything. Their fear overrides their need to make profits and so they turn only to money-market securities or get out of the market entirely. While it's true that you should never invest in something over which you lose sleep, you are also guaranteed never to see any return if you avoid the market completely and never take any risk.

Pigs are those traders who high-risk investors looking for the one big score in a short period of time. Pigs buy on hot tips and invest in companies without doing their due diligence. They get impatient, greedy, and emotional about their investments, and they are drawn to high-risk securities without putting in the

proper time or money to learn about these investment vehicles. Professional traders love the pigs, as it's often from their losses that the bulls and bears reap their profits.

What Type of Investor Will You Be?

There are plenty of different investment styles and strategies out there. Even though the bulls and bears are constantly at odds, they can both make money with the changing cycles in the market. Even the chickens see some returns, though not a lot. The one loser in this picture is the pig.

Make sure you don't get into the market before you are ready.

Be conservative and never invest in anything you do not understand. Before you jump in without the right knowledge, think about this old stock market saying:

"Bulls make money, bears make money, but pigs just get slaughtered!"

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