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# Trading

## Shares Online

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## (Sample Copy)

## Pre-requisites to trade online

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If you want to trade online you need to open a Bank Account, Trading Account and DMAT Account. You need to furnish certain documentations and these are regulatory norms.

### Documents Required:

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1. Pan Card
2. Address Proof ( Electricity Bill, Phone Bill, Voted ID, Driving License)
3. Latest Bank Statement ( Last 6 Months Updated)
4. Photograph
5. Crossed Cheque and Margin Cheque.

### Selecting a Broker:

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In Indian Market you have stock broker i.e. Angel Broking, SMC, ShareKhan and banks who are also brokers i.e. ICICI Direct, Kotak Securities. Normally, in our recommendations you should choose any broker based on following parameters:

#### Due Diligence of a Broker

- **Brokerage:** This the fee a broker charges when you buy or sell any commodity contract over exchange. You can negotiate on brokerage fee, this can be between 2 paise to 3 paise per Rs. 100. It is charged on both buy and sell. *Brokerage is charged over the total value of contract not just on the margin deposit.*
- **Limits:** Limits or leverage is the amount provided by your broker to trade. Normally it is 10 times in Intraday trading and 5 times in future trading of your actual amount invested. i.e. If you are have Rs 1,000 and you have a limit of 10 times means you can trade upto Rs. 10,000 with only Rs. 1000 in your account. Just check out what is the limit your broker is providing you.
- **Other charges:** Ask about any other hidden charges are there on the trading account like AMC.
- **IT Service:** Check the IT support provided by the broker. Ask any friend of yours for the feedback.
- **Trading Software:** Find out which software is provided by your broker for trading purpose. Normally software is better than a web browser based trading terminal. Web based browsers are slower, some time they take long time to process your trade.
- **Qualification:** Find out the qualification of your relationship manager who is provided to you by your broker to assist you in trading, also see how many accounts are handled by your

Relationship Manager. Because, if he is over loaded with many accounts he won't be able to provide you proper information about market on time - *Just a few minute delay can lead to disaster in the commodity market.*

- **Documents:** Check out what all documents are required before opening an account.
- **Contract Documents:** Read carefully before signing any contract with a broker

### After your account is opened

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After your account is opened you get a DMAT Account Number and Client ID. Also, you receive Username and password for your online trading account.

**Trading on web browser:** It can be done online on a web based browser (internet explorer or mozilla). You just have to visit website of your Broker and login using your account.

**Trading on trading software:** You can ask for a trading software from your broker. Normally, all broker will provide you. It is also recommended that you should trade on a software rather using web browser. This is because order execution is fast on the software.

### How to trade online

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Stock Market opens at 9:15 AM in India. And Closes at 3:30 PM

You first need to login online for demonstration purpose we are recommending trading software provided by ShareKhan. 'Trade Tiger'.

#### Trading Positions

Market outlook can be any one out of three directions Up, sideways or Down. We call it Bullish, Neutral and Bearish. As per our analysis of market outlook we can take any of these positions:

1. **Long Position:** Here we Buy a share first and Sell later. So, we buy the share at cheap price and wait for the share prices to go up and then sell it costlier to make profit.

Example: Buy Wipro Company's share at 550 and sell it for Rs. 555 when price increases to make profit of Rs. 5.

2. **Short:** When we believe that share prices will fall then we take this position. So, we Sell the shares first at costlier price and buy is cheap when price falls. However, we can take short position only in Intraday Trading.

Example: First Sell Wipro at 550 and when price falls buy it at 540 to make a profit of Rs. 10.

## Types of Trading

1. **Intraday (Big Trade):** You can choose this position when placing order. In intraday trading you can Long / Short any share after 9:15 AM and you have to close your position by buying/selling the share before 3:00 PM.

If you don't close your position before 3:00 PM; the stock exchange will close your position and credit you account with profit or loss.

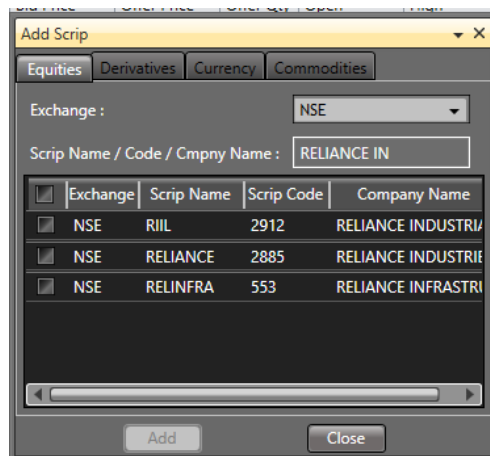
## Selecting a company to buy

Login in to your account and then add a **Market Watch Window**.

Click **Add Script** select your desired company.



A new popup box will appear, here you can select the company to add in the Market watch window.



- Type the name of the company in the Scrip Name/Code/Company Name box and select the company from the list below. The company will be added to the market watch window.

**Let's understand the Market Watch Window:**

MarketWatch-0 x												
Excha...	Scrip Name	% Change	Last Traded Qty	Current	Bid Qty	Bid Price	Offer Price	Offer Qty	Open	High	Low	Close
NSE	RIIL	-5.30	20	348.35	26	348.35	348.70	10	368.70	368.70	338.60	367.85
NSE	TCS	0.39	8	2610.00	5	2610.05	2611.85	25	2604.00	2625.60	2590.50	2599.90
NSE	MARUTI	-1.53	6	3772.95	10	3771.55	3772.95	8	3805.00	3820.00	3752.00	3831.40
NSE	NESTLEIND	-9.30	5	6170.70	10	6170.00	6172.00	50	6500.00	6533.00	5980.00	6803.25
NSE	IDEA	0.90	307	174.00	1	174.00	174.10	1052	172.50	174.50	168.50	172.45

**From left to right:**

Column 1: **Exchange name.**

Column 2: **Script name** or name of the company.

Column 3: **% Change** – Price change in percentage from previous day's close price.

Column 4: **Last Traded Qty** – The number of shares bought and sold in just the last trade.

Column 5: **Current** market price of the share.

Column 6: **Bid Quantity** is the number of shares traders wants to buy at the given Bid Price.

Column 7: **Bid Price** is the price at which traders are willing to buy the company's shares.

Column 8: **Offer Price** is the price at which traders are willing to sell the shares.

Column 9: **Offer Quantity** is the number of share traders wants to sell at the given offer price.

Column 10: **Open** – This is the first traded price when market opened at 9:15 am.

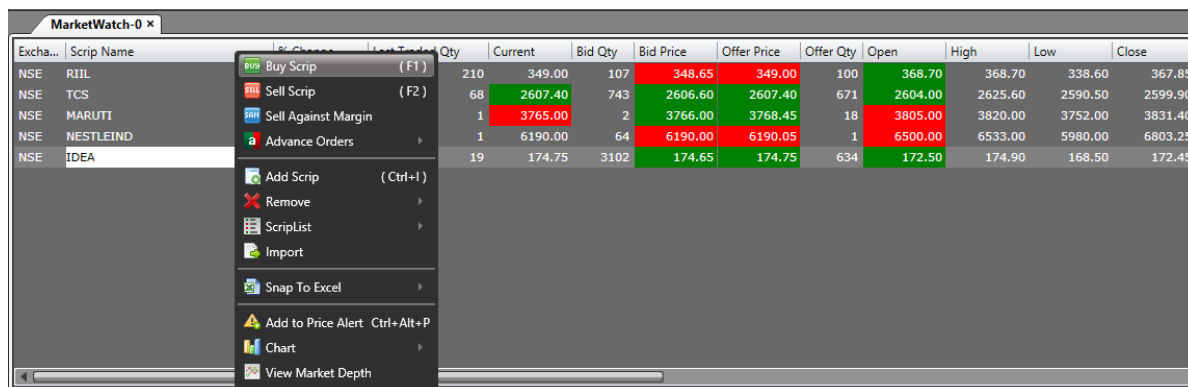
Column 11: **High** – This is the highest price at which the share was traded during the day.

Column 12: **Low** – This is the lowest price at which the share was traded during the day.

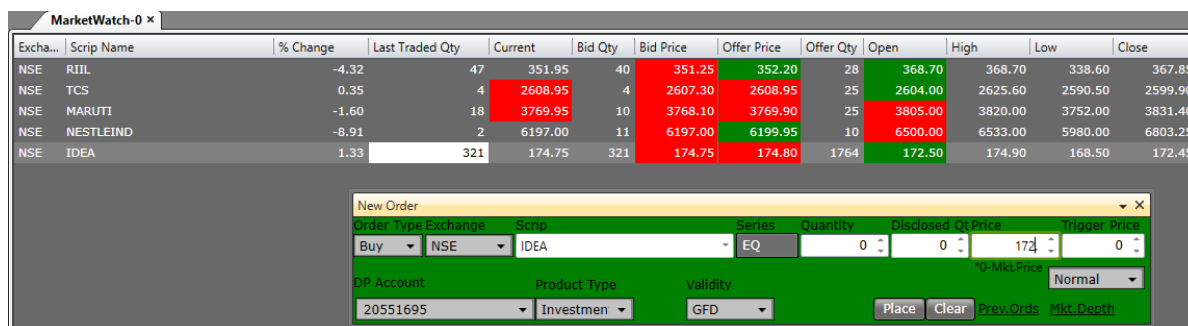
Column 13: **Close** – This the previous day close price of the share.

## Placing order

If you are ready its time to place your first order. You simply need to select a Script from the market watch window list. Here, we select IDEA and press F1 to buy or you can right click over the script and select buy from the drop down menu.



A New order window will open:



All the column will be filled you simply need to fill the Quantity and Price column. However, before that lets understand some important points.

### Order Type

- Limit Order** – When you put your desired price to buy shares it is called Limit order. Let's suppose Idea share is trading at Rs. 174.75 and you want to buy at 172. Then you put 172 in price box in New Order Window. However, your trade will get executed only when Idea share price will fall to Rs. 172.
- Market Order** – This means that you want to buy at current market price. So, you put '0' in the price column in new order window. Some software gives you option to select market order.

## Validity of orders

It refers to how long your order will be active in the trading system/software.

1. **Good till day order:** This is valid for the day on which it is entered. If the order is not executed during the day, the system cancels the order automatically at the end of the day. i.e. Let's assume current market price of Wipro is Rs. 420 per share and buyer wants to buy Wipro at Rs. 410. He places **good till today** order, if the price hits Rs. 410 the order will be executed and if price do not hit Rs. 410 during whole day the order will be canceled at the end of day.
2. **Good till cancelled (GTC):** A GTC order remains in the trading system until the trader cancels it himself. Consequently, it passes trading days, if not traded on the day the order is entered. The maximum number of days an order can remain in the trading system is informed by the commodity exchange from time to time. After it crosses maximum number of days, then the order is automatically cancelled by the trading system.
3. **Good till date (GTD):** A GTD order allows the user to specify the date till which the order should remain in the system if not executed.
4. **All or none order:** All or none order (AON) is a limit order, which will only be executed in full, or not at all. It means if a trader has ordered 10 future contracts it will buy all ten at the given price or it'll buy none.
5. **Immediate or Cancel (IOC)/ Fill or kill order:** An IOC order allows the trader to buy or sell a future contract as soon as the order is placed into the system, if it fails to execute the order it is cancelled from the system immediately.
6. **Limit order:** This is an order to buy or sell particular amount of a commodity at a specified price, or at a better price, if obtainable at the time of execution. The order will not get fulfilled at all if the order price does not meet selling price on that day.
7. **Stop-loss (Stop-order):** This order is only placed in the system, to buy or sell a particular futures contract at the market price if and when the contract price reaches a specified level given by the trader. It means order will be only placed and executed as the market price reaches that level.

With a stop order, the trader does not have to actively monitor how a stock is performing. However because the order is triggered automatically when the stop price is reached, the stop price could be activated by a short-term fluctuation in a security's price. Once the stop price is reached, the stop order becomes a market order or a limit



order. Futures traders often use stop orders in an effort to limit the amount they might lose if the futures price moves against their position.

i.e. A trader purchases Wipro at Rs. 400 per share and he wants to limit his loss to Rs. 2 per share. A stop order can then be placed to sell a contract if the price falls to Rs.398. When the market touches this price, a stop-loss order gets executed and the trader would sell and exit the market.

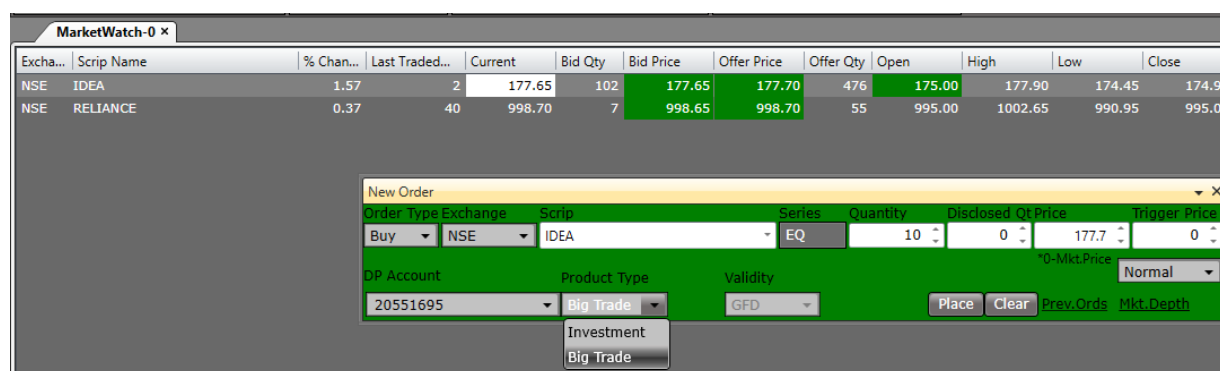
8. **Trigger price:** This is the price at which an order gets triggered from the stop-loss order

### Executing a trade and Calculating Profit and loss

Let's observe this trading terminal image screen shot:



In the image above we have an account balance of Rs. 217.60 (Cash LMT). BPL is 0 and MTM is 0. The IDEA share current price is 177.10. Let's place an order:



Here, we are selecting big trade for an intraday trade and placing a Limit order at Rs. 177.70 to buy 10 shares of IDEA. Now, let's see Net-position in our trading account:



Go to **Report** tab and click Net Position to see the trade detail.

Cash Reports - Dynamic Report On

Report: Net Position Add Position Square Off Square Off All Synchronize Back to Limit

Script Name : All Product Type All Exchange : All Filter

EXCHANGE	SCRIP NAME	SEGMENT	PRODUCT TYPE	NET POSITION	AVG RATE	MKT RATE	MTM PL	BOOKED P/L
NSE	IDEA	EQ	BIGTRADE	10	0	177.30	-4.00	0.00

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In the above window we can see the script we bought in EQ (Equity) segment. Product type is BigTrade or intraday. We took total 10 shares at Rs. 177.70 and the current market rate is 177.30. Which is giving us a MTM PL (Marking to Market Profit/Loss) of Rs. -4.00.

### Calculation:

Buy = 10 Share x 177.70  
 Current Market Price = 177.30  
 So, Per share loss = 177.70 – 177.30 = 0.40 Paise  
 Total MTM loss = 0.40 x 10 = 4.00

\*MTM PL is your current status of profit and loss into the trade. It's not your actual profit or loss. To book your profit or loss you need to close the position by **selling** the IDEA script. So here, we place a **Sell order** at Rs. 177.55 :

New Order

Order Type	Exchange	Script	Series	Quantity	Disclosed Qt	Price	Trigger Price
Sell	NSE	IDEA	EQ	10	0	177.55	0

\*0-Mkt.Price Normal

DP Account Product Type Validity

20551695 Big Trade GFD

Place Clear Prev.Ords Mkt.Depth

Finally we get our BPL (Booked profit/loss):

EXCHANGE	SCRIP NAME	SEGMENT	PRODUCT TYPE	NET POSITION	AVG RATE	MKT RATE	MTM PL	BOOKED P/L	BUY QTY
NSE	IDEA	EQ	BIGTRADE	0	0	177.40	0.00	-1.50	

We can see the trade report in **Net Position** window. Here, our net position is 0 and Booked P/L is -1.50.

### Calculation:

Buy = 10 Share x 177.70

Sell = 177.55

So, Per share loss =  $177.70 - 177.55 = 0.15$  Paise

Total Booked loss =  $0.15 \times 10 = \text{Rs. } 1.5$

### Order Modification

All orders can be modified in the system till the time they do not get fully traded and only during market hours.

Exch...	Scrp Name	% Chan...	Last Traded...	Current	Bid Qty	Bid Price	Offer Price	Offer Qty	Open	High	Low	Close	Last Up...	Last Traded
NSE	IDEA	1.46	300	177.45	203	177.40	177.45	210	175.00	177.90	174.45	174.90	11:44:40	11:44:39
NSE	RELIANCE	0.48	12	999.75	161	999.75	999.80	252	995.00	1002.65	990.95	995.00	11:44:40	11:44:40

### Order Cancellation

Order cancellation functionality can be performed only for orders which have not been fully or partially traded (for the untraded part of partially traded orders only) and only during market hours and in pre-open period.

## Order Matching System

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The buy and sell orders are matched on Book Type, Symbol, Series, Quantity and Price.

**Matching Priority:** The best sell order is the order with the lowest price and a best buy order is the order with the highest price. The unmatched orders are queued in the system by the following priority:

**(a) By Price:** A buy order with a higher price gets a higher priority and similarly, a sell order with a lower price gets a higher priority. E.g. consider the following buy orders:

- 1) 100 shares @ Rs. 35 at time 10:30 a.m.
- 2) 500 shares @ Rs. 35.05 at time 10:43 a.m.

The second order price is greater than the first order price and therefore is the best buy order.

**(b) By Time:** If there is more than one order at the same price, the order entered earlier gets a higher priority. E.g. consider the following sell orders:

- 1) 200 shares @ Rs. 72.75 at time 10:30 a.m.
- 2) 300 shares @ Rs. 72.75 at time 10:35 a.m.

Both orders have the same price but they were entered in the system at different time. The first order was entered before the second order and therefore is the best sell order.

As and when valid orders are entered or received by the system, they are first numbered, time stamped and then scanned for a potential match. This means that each order has a distinctive order number and a unique time stamp on it. If a match is not found, then the orders are stored in the books as per the price/time priority.

An active buy order matches with the best passive sell order if the price of the passive sell order is less than or equal to the price of the active buy order. Similarly, an active sell order matches with the best passive buy order if the price of the passive buy order is greater than or equal to the price of the active sell order.

## Circuit Limit or Filter

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Circuit filter is a mechanism used by stock exchanges to curb excessive volatility in markets. It is the maximum fluctuation in price allowed during trading. Trading gets suspended if the maximum permissible limit is hit in either direction. The circuit limit gets fixed for individual stocks and indices like Sensex and Nifty.

Trading gets suspended temporarily or rest of the session depending on the circuit limit and the time when the circuit limit gets triggered. Below are the circuit breaker rules for Sensex and Nifty that were implemented in October 2013.

**Trigger: 10%**

Result: If it is hit before 1 pm, trading is suspended for 45 minutes. Between 1 pm and up to 2.30 pm, trading is suspended for 15 minutes. If it is hit at or after 2:30 pm, there is no halt in trading.

**Trigger: 15%**

Result: If it is hit before 1 pm, trading is halted for 75 minutes. If it is hit between 1 pm and up to 2 pm, trading is halted for 45 minutes. If hit on or after 2 pm, markets close for the day.

**Trigger: 20%**

Result: Markets close for rest of the trading session.

## We hope this Free E-Book was Helpful

If you need any assistance or are interested in our professional programs. Feel free to contact us.

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