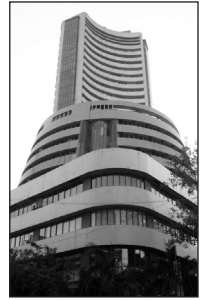


CHAPTER 1

STREET TALK

1. WHAT IS DALAL STREET?

Dalal Street (In Hindi *dalāl* means a broker, or dealer) in downtown Mumbai, where the Bombay Stock Exchange and several related financial institutions are located. When the Bombay Stock Exchange was moved to this new location the street next to the building was renamed as *Dalal Street*. This is often used as a synonym for the stock market in India. This street houses the business offices of the affluent Gujarati community.



2. WHAT IS WALL STREET?

Wall Street is a thoroughfare in lower Manhattan, New York City, United States of America. Wall Street was the first permanent home of the New York Stock Exchange, and over time Wall Street became the name of the surrounding geographic neighborhood. Several major U.S. stock and other exchanges remain headquartered on Wall Street including the NYSE, NASDAQ, AMEX, NYMEX, and NYBOT. Wall Street is also a shorthand for the financial industry in the New York City area.



3. WHAT IS CAPITAL MARKET?

The term capital market means market for capital or money. This market is broadly broken into

- Equity market (market for equity stocks),
- Debt market (market for long term debt instruments),
- Money market (market for instruments of a duration of less than one year) and

- Derivatives market (also known as the F&O, Futures and Options, market)

4. WHAT IS STOCK MARKET?

Just as the vegetable market is the market for purchase and sale of vegetables, the fish market is the market for purchase and sale of fishes, the stock market is the market for purchase and sale of shares.

This market is generally split into two segments

- Primary market: Namely, the market where a company makes its first issue of shares.
- Secondary market: Where shares already issued by the company are traded.

5. WHO ARE THE ANIMALS IN THE STOCK MARKET!?

Investors in the stock market are popularly named after 4 animals.

- Bull
- Bear
- Stag
- Lame duck



6. WHO IS A BULL?

A bull is a market operator (investor) who expects the market price of a share to go up. A bull makes profits by buying shares first in the hope of selling them later at a higher price.

For Example: Suppose the current market price of NTPC is Rs 270 and you expect it to touch Rs 300 in three months. This means that you are bullish on NTPC

7. WHAT IS A BULL MARKET?

When a price rise is expected investors buy stocks. A bull expects prices to rise. Hence when stock prices start rising we say that we are seeing a bullish market. A bullish market is hence a strong or rising market where there are more buyers than sellers.

It is possible that the market sentiment may be bullish with reference to some stocks and bearish with reference to other stocks. A market is said to be bullish when the sentiment is bullish with reference to a majority of stocks or when the sentiment is bullish with reference to the Sensex.

8. WHAT IS A BULL TRAP?

This refers to a situation where the expectations of the bulls go wrong. "It is a false signal indicating that the falling trend of a stock or index has been arrested or reversed when in fact it has not".

For example, suppose the SBI stock has gone through a protracted bull phase. Suddenly it begins to fall following the announcement of a Rights Issue. Bull operators now believe that the stock has fallen enough and that it is due for a rise and therefore start buying the shares. Unfortunately for them the stock continues its free fall. In this case the bulls are said to have been caught in a "bull trap".

9. WHO IS A BEAR?

A bear is a market operator who expects the market price of a share to fall. A bear makes profits by selling shares first in the hope of buying it back later at a lower price.

Example: Suppose the current market price of RIL is Rs 3,300 and you expect it to fall to Rs 3,000 in a month's time. This means that you are bearish about RIL.

10. WHAT IS A BEAR MARKET?

When a price fall is expected investors sell their stocks. A bear expects a price fall. Hence when stock prices begin to tumble we say that we are seeing a bearish market. A bearish market is hence a weak or falling market where there are more sellers than buyers.

It is possible that the market sentiment may be bearish with reference to some stocks and bullish with reference to other stocks.



Oldest Stock Exchange in the World

The Amsterdam Stock Exchange is considered the oldest in the world. It was established in 1602 by the Dutch East India Company. It merged on September 22, 2000 with the Brussels Stock Exchange and the Paris Stock Exchange to form Euronext, and is now known as 'Euronext Amsterdam'.

A market is said to be bearish when the sentiment is bearish with reference to a majority of stocks or when the sentiment is bearish with reference to the Sensex.

11. WHAT IS A BEAR TRAP?



This refers to a situation where the expectations of the bears go wrong. "It is a false signal indicating that the rising trend of a stock or index has reversed when in fact it has not".

For example, suppose the HUL stock has gone through a protracted bearish phase. Suddenly it begins to rise following the announcement of its half yearly results. Bear operators now believe that the stock has risen enough and that it is due for a fall and therefore start selling the shares. Unfortunately for them the stock continues to rise. In this case the bears are said to have been caught in a "bear trap"

12. WHO IS A LAME DUCK?

A stock player who makes a series of bad purchases will end up with losses over a period of time. In that case he would be struggling to meet his debt obligations. In stock market parlance he is referred to as a person who is limping like a lame duck. This phrase is also used to denote a person who has sold shares ahead of completion of an IPO, who does not receive allotment at the IPO and is therefore now finding it difficult to meet his sale obligations.

13. WHO IS A STAG?

A stag is a market operator who trades frequently and tries to make quick profits in a short time. In other words, he is a short term speculator. The most popular operation of a stag is to subscribe to an IPO and sell it immediately on listing.

For instance, the Reliance Power IPO is priced at Rs 450/-. A stag subscribes to say 1000 shares and gets an allotment of say 100. The stock on the day of listing quotes 525. Immediately the stag sells all his 100 shares and makes a profit of Rs 7,500.

Sometimes the stag also enters into off-market deals with investors who are subscribing to IPO to buy those shares at a predetermined price. For instance he might buy the Reliance Power share from a subscriber at Rs 500. On allotment the investor-subscriber will transfer his allotment at a price of Rs 500 irrespective of the price prevailing in the stock market. If the stock market price is higher, the gain is pocketed by the stag. If it is lower, the loss is borne by the stag.

Oldest Stock Exchange in Asia

The Bombay Stock Exchange was established in Bombay in 1875 as "The Native Share and Stock Brokers Association" and is the oldest Stock Exchange in Asia.

14. WHY ARE THE NAMES OF ANIMALS ASSOCIATED WITH THESE PLAYERS?

A bull is called so because of the tendency of "a bull to push its enemy up when it kills him." A bear is so called because of the tendency of "a bear to push its enemy down to the ground when it kills him." When a player finds it difficult to meet his obligations he is said to be limping like a lame duck. A stag is supposed to be a partying animal which is keen on good things of life. Since the stock picker is looking for instant profits he is referred to as a stag.

15. WHAT SENTIMENTS DRIVE THESE PLAYERS?

A bull is an optimist because he expects prices to go up. A bear is a pessimist because he expects price to come down. A stag is an optimist because he expects prices to shoot skywards. A lame duck is seated in an uncomfortable position and is in a scared frame of mind.

16. WHO ARE THE PARTICIPANTS IN THE STOCK MARKET?

Some of the players in the stock market are:

- Foreign institutional investors
- Indian financial institutions
- Retail investors
- Mutual funds
- Corporates

- Association of Persons
- Body of Individuals
- Hindu Undivided family



17. WHAT ARE THE CATEGORIES OF STOCK MARKET OPERATORS?

A stock market operator is anyone who buys and sells shares. There are five categories

- Long term investor:** He buys with the intention of holding them for more than a year and profiting from the price rise
- Short term investor:** For him the holding period is generally less than a year; at times even less than three months.
- Trader:** He buys in the morning and sells in the evening or sells in the morning and buys back in the evening. He is interested in the intra-day fluctuation in stock prices.
- Speculator:** A speculator buys a share without intention of taking delivery of the shares. He sells the share even before it comes up for delivery of the shares.
- Jobber:** He is a market operator who gives two-way quotes; both buy quote and sell quote. He is thus instrumental in preserving liquidity in the market.