



BANKER BABU 3.0



INDIAN FINANCIAL MARKET

STOCK MARKET AND INSTRUMENTS

Important terms in Stock Market

Pessimistic INVESTORS

POSITIVE

- Bear and Bull
- Book Building
- Badla and Undha Badla
- Depositories ✓
- Kerb Dealings
- Greenshoe Option

COMPANY
| SHARE - ALLOT
| DELAY
BADLA

NEW
| INVESTOR
| STAG

WOLF - EXPERIENCED

OSTRICH - STUBBORN

PIG

VOLATILE / OVERTLY
OPTIMISTIC

INVESTOR

| SHARES

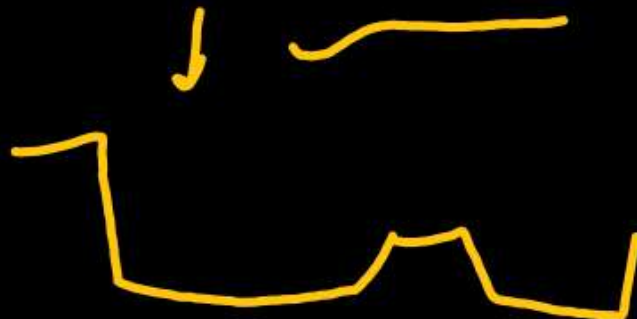
| PURCHASE

| DELAY

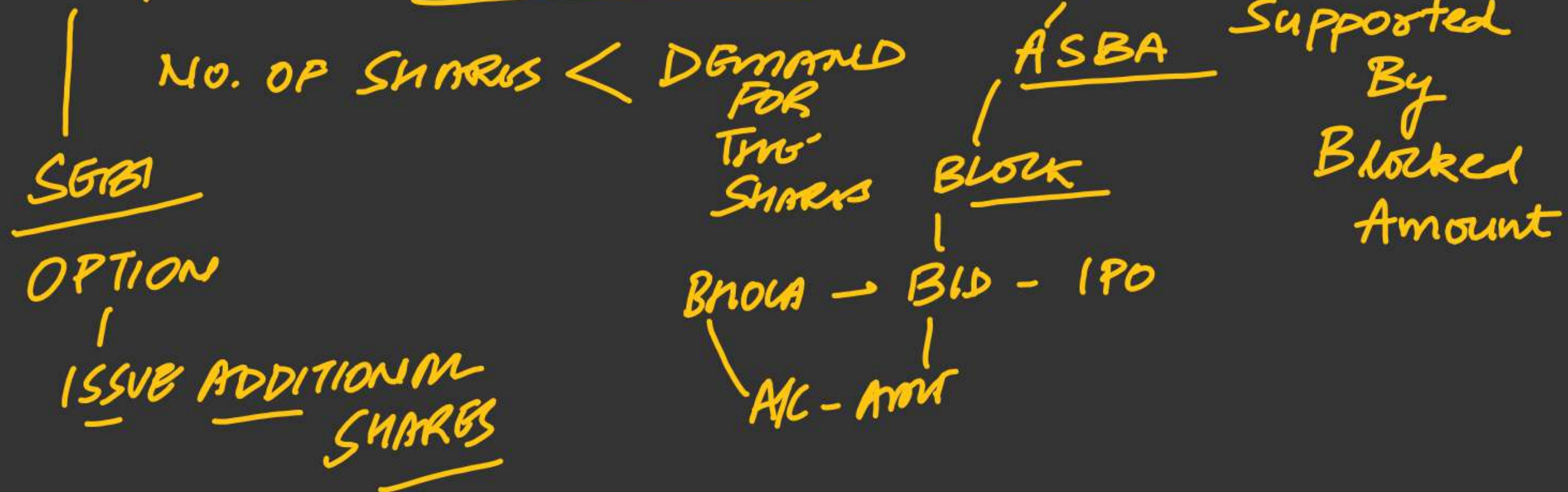
↓
UNDHA

BADLA

DEAD CAT BOUNCE



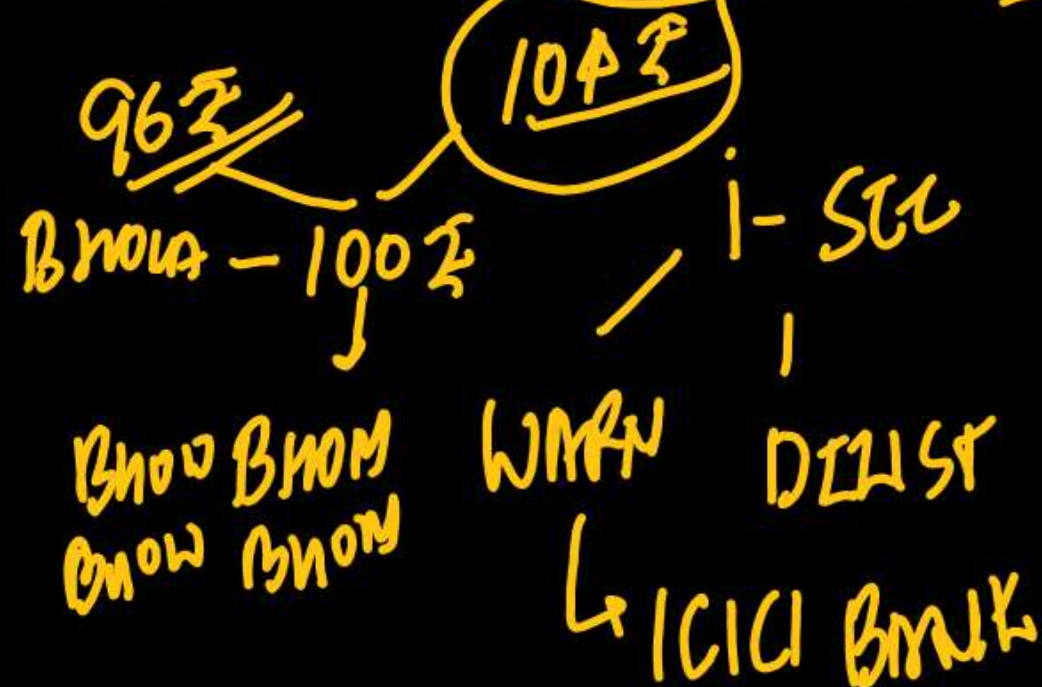
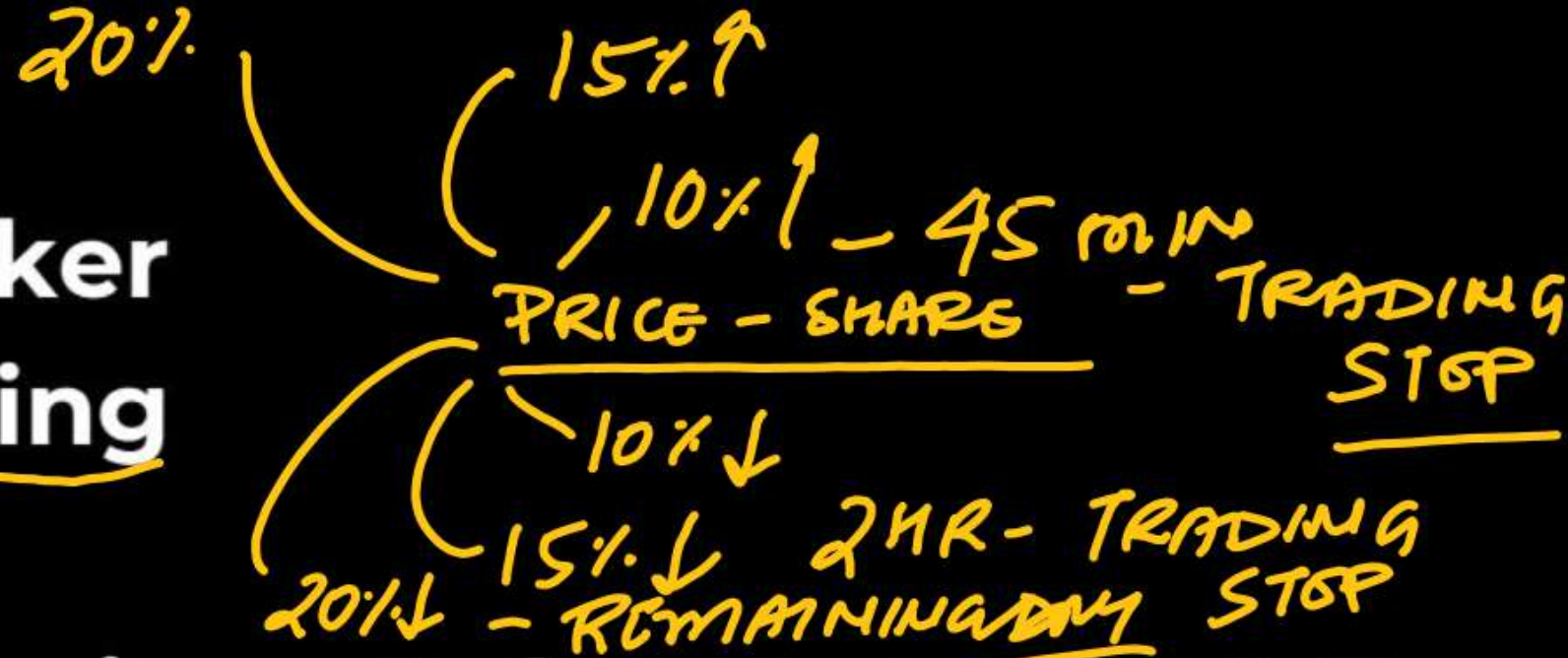
IPO/FPO - OVERSUBSCRIBED



LIMIT - 2.5%
OF THE
TOTAL
NO. OF SHARES

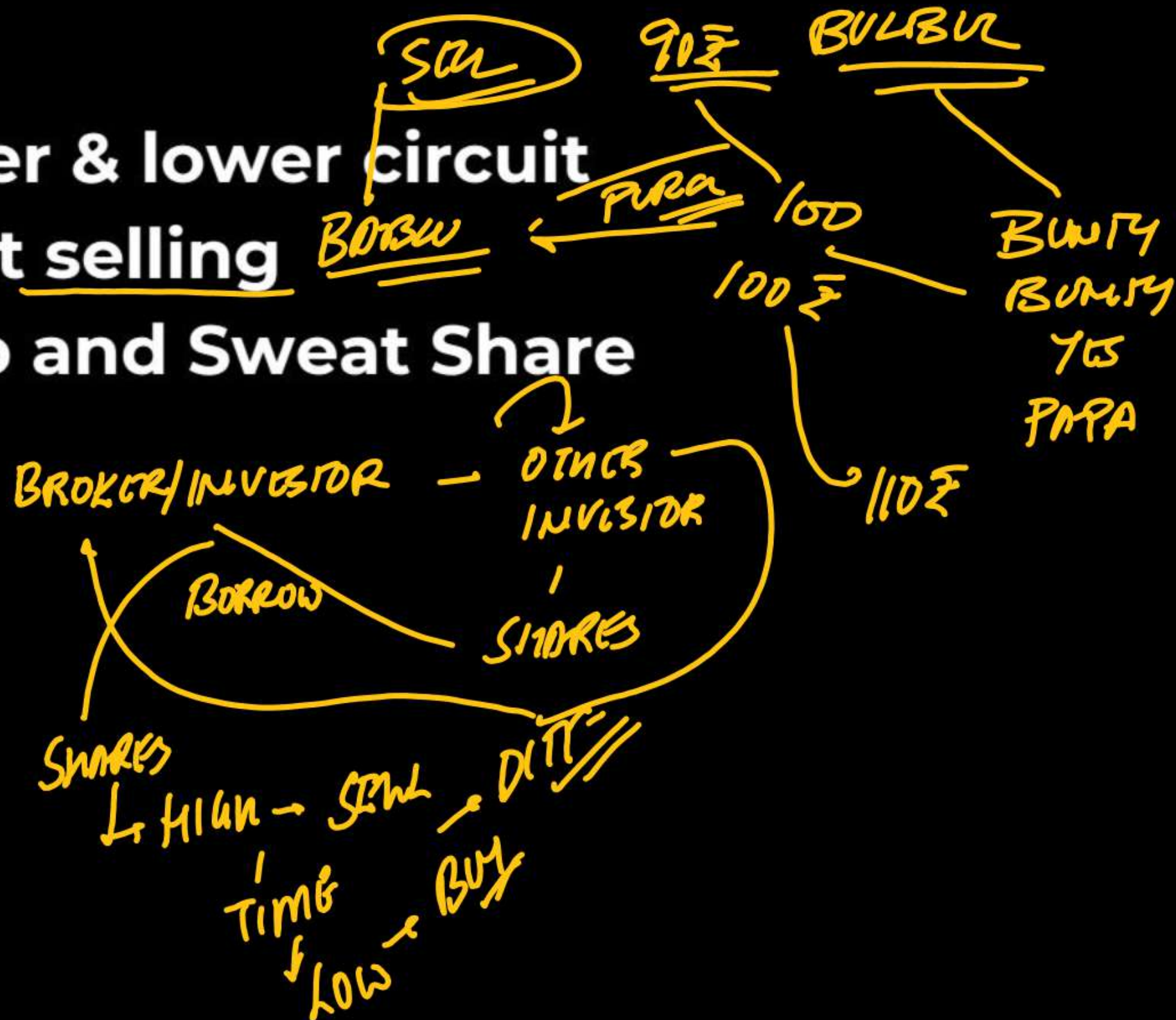
Important terms in Stock Market

- Circuit Breaker
- Insider Trading
- Delisting
- EBITDA : Earnings Before Interest & Taxes
- Share at Par/Premium/Discount



Important terms in Stock Market

- Upper & lower circuit
- Short selling BORROW
- Scrip and Sweat Share



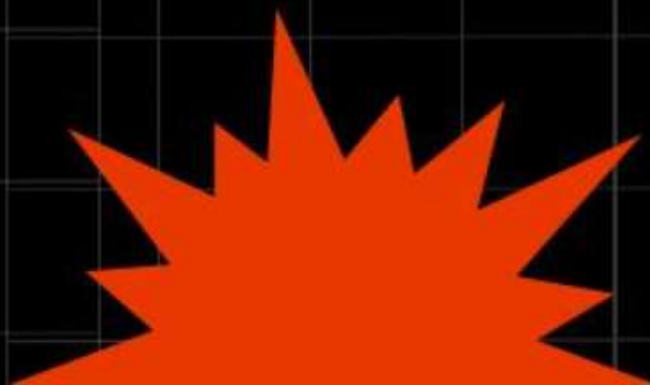


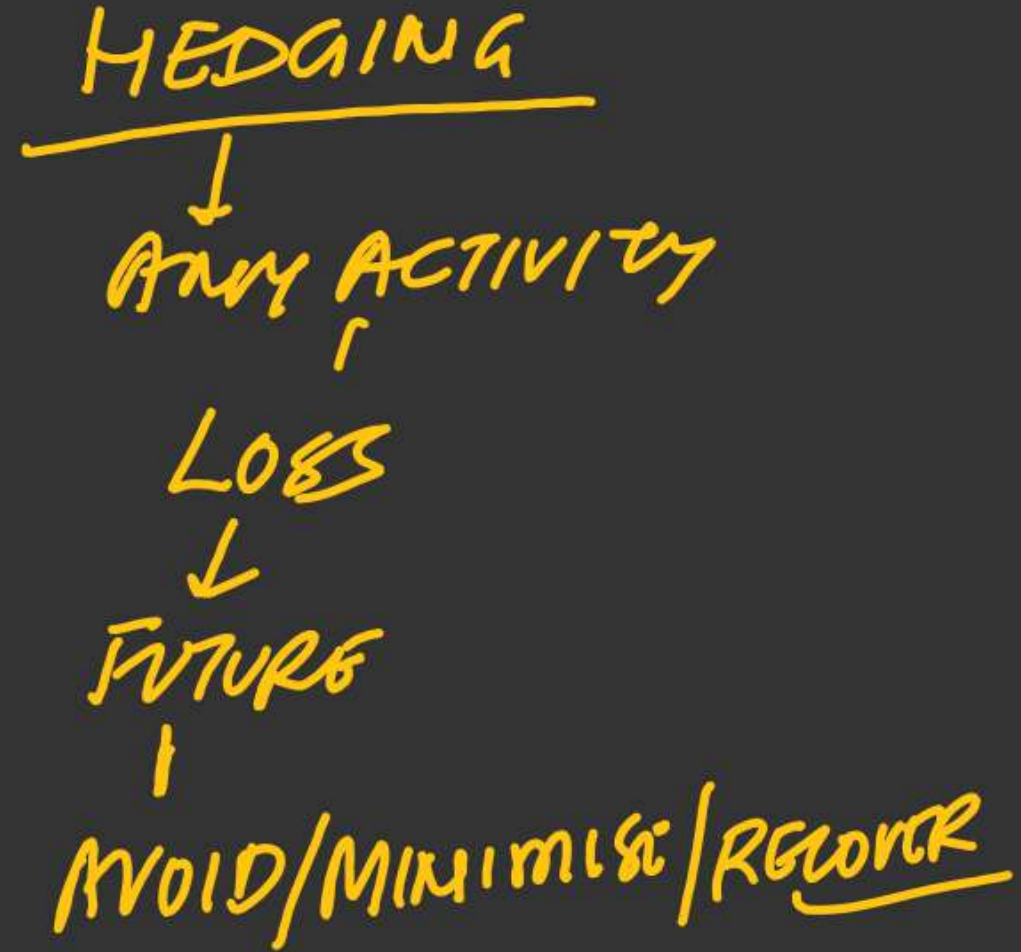
DERIVATIVES



EXPLAINED



- Derivatives are financial contracts, set between two or more parties, that derive their value from an underlying asset, group of assets, or benchmark.
 - A derivative can trade on an exchange or over-the-counter.
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DERIVATIVES

EXPLAINED



- A derivative is a contract between two parties which derives its value/price from an underlying asset.
- The commonly used assets are stocks, bonds, currencies, commodities and market indices.

- These instruments allow investors and traders to speculate on the price movements of the underlying asset without owning it directly
- The basic principle behind entering into derivative contracts is to earn profits by speculating on the value of the underlying asset in future.
- Derivatives serve various purposes, including hedging against risks, providing leverage, and facilitating price discovery.



TYPES

EXPLAINED



- Three Types of Derivatives are : Forward, Future and Options Derivatives.

FORWARD

- Forward contracts mean two parties come together and enter into an agreement to buy and sell an underlying asset set at a fixed date and agreed on a price in the future.
- In simpler words, it is an agreement formed between both parties to sell their asset on an agreed future date.
- The forward contracts are customized and have a high tendency of counterparty risk.



FUTURES



EXPLAINED



- Future contracts are similar to forward contracts. Future contracts mean an agreement made by the two parties to buy or sell an underlying instrument at a fixed price on a future date.
- Future contracts do not allow the buyer and seller to meet and enter into an agreement.

FEATURES

- In fact, the deal gets fixed through exchange mode.
- In futures contracts, the counterparty risk is low because it is a standardized contract.
- Since these contracts are standard, the futures contracts listed on the stock exchange cannot be changed or modified in any possible way.
- In simpler words, future contracts have pre-decided size, pre-decided expiry period, pre-decided size. In futures contracts, an initial margin is required because settlement and collateral are done daily.

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SELLER

BUYER

FIXED PRICE

FUTURE DATE

CONTRACT

↓
FORWARD

OVER THE COUNTER

SELLER

BUYER

FIXED PRICE

EXCHANGE

FUTURE DATE

↓
FUTURE

EXCHANGE
TRANSPARENT



OPTIONS

EXPLAINED



- Options contracts are the third type of derivative contracts in India.
- Options contracts are way different than future and format contracts because these contracts do not require any compulsion to discharge the contract on a specific date.

FEATURES

- Options contracts provide the right but not the commitment to buy or sell an underlying instrument.
- Option contracts consist of two options:
 - Call Option
 - Put Option
- In call option, the buyer has all the right to purchase an underlying asset at a fixed price while entering the contracts.
- While in put option, the buyer has all the right but not obligation to sell an underlying asset at a fixed price while entering the contract.



CREDIT DEFAULT SWAP

EXPLAINED



- A CDS is a type of derivative that transfers the credit exposure of fixed income products.
- CDS is a specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to another

FEATURES

- In a credit default swap contract, the buyer pays an ongoing premium similar to the payments on an insurance policy.
- In exchange, the seller agrees to pay the security's value and interest payments if a default occurs.



COMMODITY EXCHANGE

EXPLAINED



- Commodity exchanges play a crucial role in facilitating the trading of commodity futures, providing a platform where buyers and sellers can engage in transactions.

FEATURES

- Commodity exchanges are institutions that serve as a marketplace for the trading of commodity futures, similar to how stock exchanges facilitate the trading of equities.
- This process involves multiple buyers and sellers interacting to determine the most efficient and fair price for a particular commodity.
- Commodity exchanges in India operate under the regulatory framework established by the Securities and Exchange Board of India (SEBI).



COMMODITY EXCHANGE

EXAMPLES



FEATURES

- **Multi Commodity Exchange, Mumbai (MCX)**
- **National Commodity and Derivatives Exchange, Mumbai (NCDEX)**
- **National Multi Commodity Exchange, Ahmedabad (NMCE)**
- **Indian Commodity Exchange Ltd., Mumbai (ICEX)**
- **ACE Derivatives and Commodity Exchange, Mumbai (ACE)**
- **Universal Commodity Exchange Ltd., Mumbai (UCX)**



SPOT EXCHANGE

EXPLAINED



- Spot exchanges are platforms which facilitate the purchase and sale of specified commodities, including agricultural commodities, metals, and bullion by providing spot delivery contracts (provides for the delivery of goods and the payment of the price) in these commodities.

FEATURES

- The spot exchange rate is the current market price for exchanging one currency for another.
- Generally, the spot rate is set by the forex market.
- There are four-spot exchanges currently operating in the country.
- These exchanges are: National Spot Exchange Ltd (NSEL), NCDEX Spot Exchange Limited, Reliance Spot Exchange Limited, Indian Bullion Spot Exchange Limited.



THANK YOU

