

# F&O TRADING

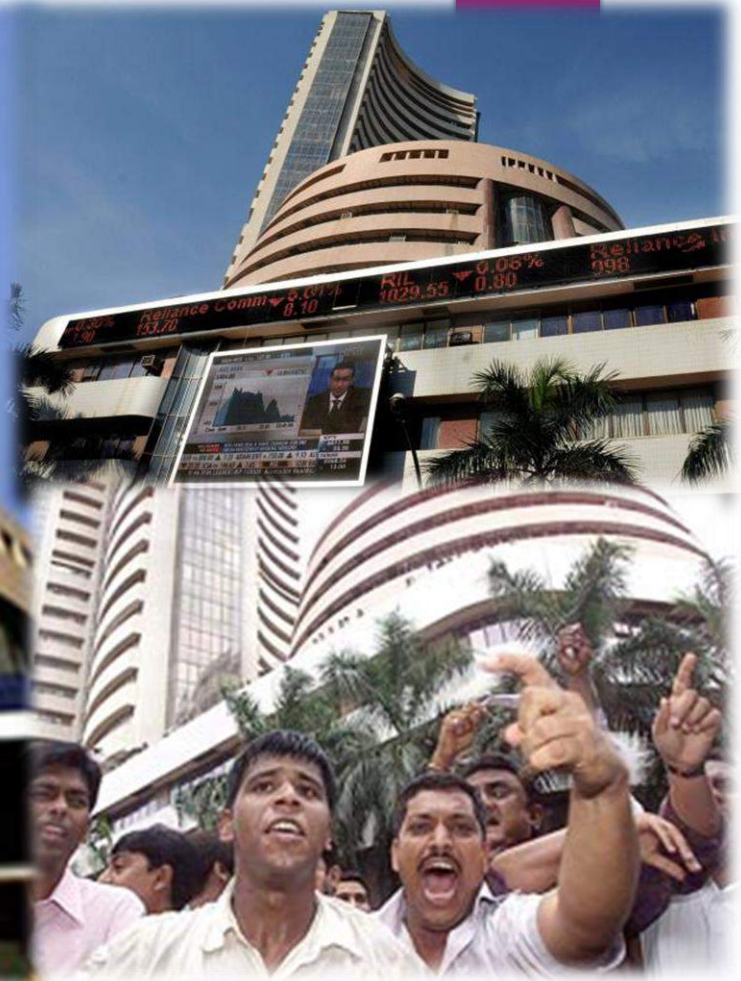
## RISK OR OPPORTUNITY

CA NIKHILESH SOMAN

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# DISCLAIMER

- 1. I am not a Broker - Sub Broker or Remiser /CP**
- 2. I am not MF distributor**
- 3. I am not selling any Product or Scheme of any of the Banks , NBFC or any Post Office**
- 4. Views Express here are Totally my own & personal views & you are requested to take proper advise from your Financial Advisor or CA**



**BSE BUILDING; BSE  
DISPLAYS SENSEX ;  
PEOPLE TRADING AT  
THE BOMBAY STOCK  
EXCHANGE**

# BULL VS BEAR



# TRADING MANTRAS

- ❖ **NEVER BUY FOR FIXED TIME**
- ❖ **TRADE IN GOOD VOLUME & “ A ” GROUPS SHARES ONLY**
- ❖ **DO SECTORIAL STUDY**
- ❖ **NEVER BORROW TO BUY SHARES / TRADING**
- ❖ **LEARN TO BOOK PROFITS / LEARN TO SHORT SELL**
- ❖ **SET YOUR PROFITS TARGETS & STOP LOSSES BEFORE YOU START TRADING**
- ❖ **ALL COMPANIES IN A SECTOR ARE NOT STAR COMPANIES**

# TRUTH



# FEW POINTS TO REMEMBER

- ❖ **BEAWARE OF ATTRACTIVE ADVT. & HIGH RETURNS SMS**
- ❖ **PREPARE OWN TRADING PLAN**
- ❖ **SEE WHATS THE GROUND LEVEL REALITY**
- ❖ **KNOWLEDGE IS THE KEY**
- ❖ **STRATEGY – DON'T KEEP CHANGING**
- ❖ **DIVERSIFICATION**
- ❖ **NEVER PUT ALL EGGS IN 1 BASKET**
- ❖ **RISK REWARD RATIO**

# MARKETS ON FRIDAY

Market Crashes 🤪  
Bulls today 🐮





# FEW MYTHS ABOUT F&O TRADING

- ▶ **I KNOW MARKETS , I KNOW HOW TO TRADE**
- ▶ **F&O TRADING IS GAMBLING**
- ▶ **I CAN MAKE HUGE MONEY IN F&O**
- ▶ **I CAN TIME MARKET ...**

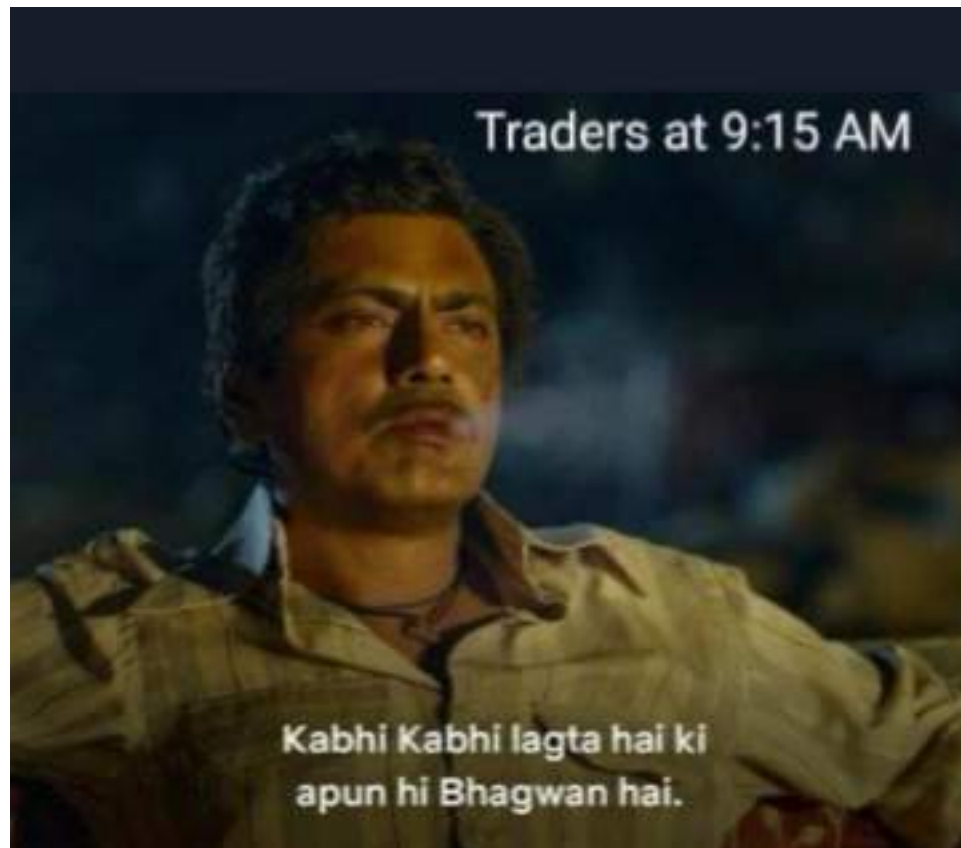
# REALITY



# Future Trading

- ▶ Can be done in specified Qty called as LOT
- ▶ Two types : Index & Stock futures available
- ▶ We have Currency Future & Interest rate futures also
- ▶ Commodity Futures also available
- ▶ Needs to pay Margin as % of the Contract Value
- ▶ Contract Expiry is LAST Thursday of every Month in case of Stock or Index Futures
- ▶ Daily Mark to Mark P&L adjusted in Ledger
- ▶ Normally Current + Two More Months Contract s available for Trading

# F & O TRADER



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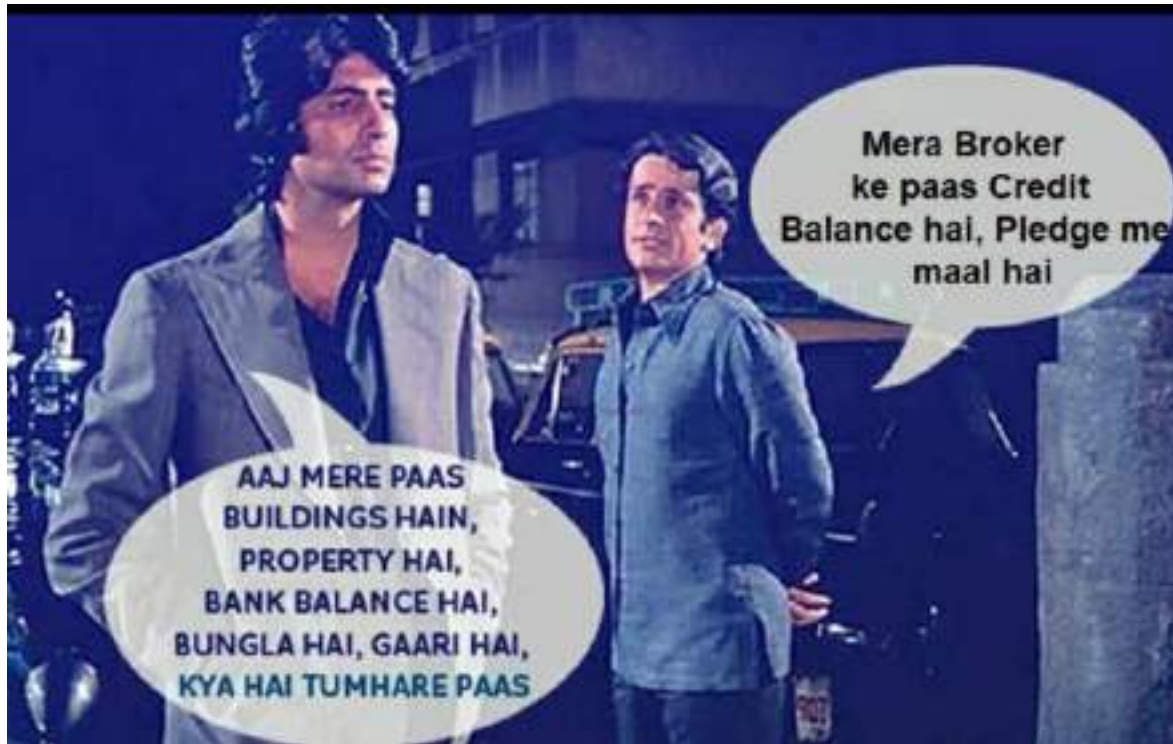
# RISK

- ▶ **Leverage**
- ▶ **Market Volatility**
- ▶ **News which affect underlying Asset**
- ▶ **Trading risk like Drop in Value**
- ▶ **Margin short fall & Auto Square off in Margin call**
- ▶ **Greed & Fear leads to Heavy Loss**
- ▶ **Risk of Unlimited Loss**

# OPPORTUNITY

- ▶ For Professional Trader **Leverage** is Gift
- ▶ In case of Future u have 1 month / 2 month / 3 months time so u can hold , no need to exit in panic
- ▶ Volatile Market can give max. opportunity to enter / Exit & take benefit of Lot Size
- ▶ Like Loss , Profits are also Unlimited if your trade is on the right side or with Trend
- ▶ If u do jobbing then nothing like it but for that u need to have accurate info.





# OPTION TRADING

- ▶ It's a Derivative
- ▶ Available in two sets CALL & PUT
- ▶ Expiry of Index Option Weekly on every Thursday
- ▶ For Stock Option we have Monthly Expiry Last Thursday
- ▶ Hedging Instrument But now People Trade in Option
- ▶ People like this because of Limited Capital Req.
- ▶ Unlike Future Premium goes down as the day passes
- ▶ Premium includes Time Value & Intrinsic value  
difference of Underlying Asset Strike Price & Current  
Market Price of the Underlying Asset



# RISK

- ▶ When u buy any option Risk is limited to value of premium paid by you & if u Sell any option then Losses may be Unlimited like Futures
- ▶ As the days passes Time Value get reduced from Premium & hence its become difficult to trade
- ▶ Lack of Volume if u are choosing Out of the Money Options , though they are very Cheap
- ▶ Liquidity gets over slowly during the month especially after 15<sup>th</sup> day of every month
- ▶ Unlike Futures Options become zero at the end of the month so entire money invested lost

# OPPORTUNITY

- ▶ Hedging will help to minimise your Losses
- ▶ Jobbers or Intra day Traders can take Max. Benefit
- ▶ Unlimited Profits if your trade is on the right side
- ▶ Many people Buy Options as Limited Investment & Limited Risk ( what they think )
- ▶ Many People Sell Options & most of the times end up making money as premium is collected by selling an Option ,But it requires Huge Margin Per Lot



# POINTS TO REMEMBER

- ▶ **F&O is good or Best if u have detailed Knowledge & you are trading professionally PCR is the key**
- ▶ **Only Discipline will help you to earn money in F&O**
- ▶ **Strict Stop losses is the key for Success in F&O Trading**
- ▶ **If u are having Holding Capacity then only Trade in F&O , never jump with limited Capital , back up may needed in case of Sharp Market Fall or Sharp Rise**
- ▶ **If u are on the screen then & then only enters in to F&O trade else AVOID**

# AFTER LOSSES IN F&O





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