

**F&O TRADING
RISK
OR
OPPORTUNITY**

CA NIKHILESH SOMAN

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



BSE

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

F&O TRADER



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 Every Thursday for Index & Last Thursday of every Month in case of Stock Futures
- Daily Mark to Mark P&L adjusted in Ledger
- Normally Current + Two More Months Contracts available for Trading

RISK

- **Leverage**
- **Market Volatility**
- **News which affect underlying Asset**
- **Trading risk like Drop in Value**
- **Settlement Risk**
- **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
- We have Call puts for Stock & Index
- Like Index Future Expiry Option also expires Weekly
- For Stock Option we have Monthly Expiry
- 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 & Underlying Asset Value as per 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 15th 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

AFTER LOSS IN F&O



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POINTS TO REMEMBER

- F&O is good or Best if u have detailed Knowledge & you are trading professionally
- 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



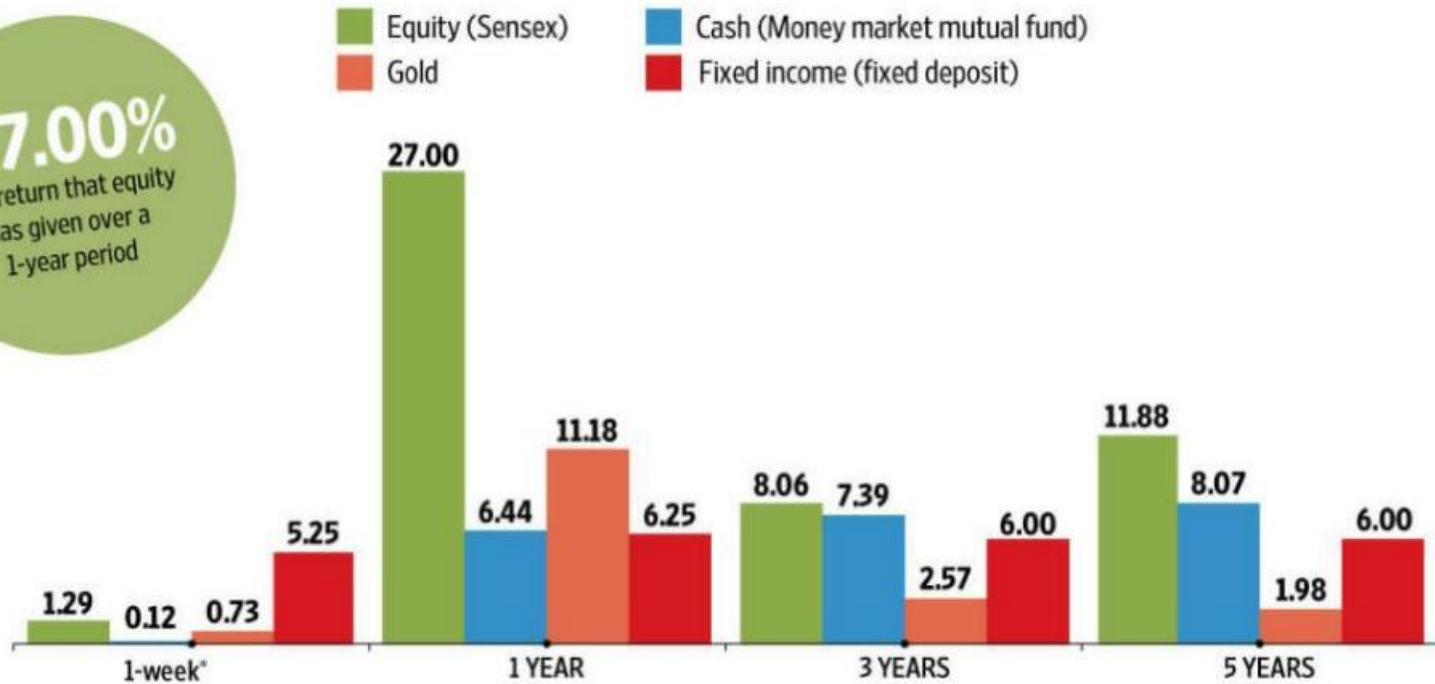
THANK
YOU

INVESTMENT OPPORTUNITIES

- FIXED RATE OF RETURN
- F.D.R. / R.D. / NBFC / COMPANY DEPOSITS / LIC / POST MIS
- MUTUAL FUNDS
- EQUITY / DEBT / BALANCE / GROWTH / LIQUID
- GOLD / SILVER
- REAL ESTATE
- DIRECT INVESTMENT IN STOCK MARKET

1-3-5 YEAR RETURN IN DIFFERENT ASSET CLASS

27.00%
The return that equity has given over a 1-year period



Look out for returns on various asset classes in this space. Rate of return for fixed deposits is for the future. For other asset classes, returns indicate past performance.

Equity is the benchmark index return; Cash refers to the average return for liquid funds category as defined by Valueresearchonline; Gold refers to returns from domestic MCX gold prices; and fixed income is SBI fixed deposit rate. *Other than fixed deposits all returns are absolute. Returns above one year are annualised.

GRAPHIC: VIPUL SHARMA/MINT

Source: SBI, Bloomberg, Value Research

Performance of Top Stocks in 1996-2001 in subsequent periods

Listed Stocks As Of 1996	Return % (1996-2001)	Return % (2001-2006)	Return % (2006-2011)	Return % (2011-2016)
S&P BSE 500 Index	-	286	79	52
Infosys	4,137	250	95	76
Aurobindo Pharma	1,046	555	54	810
Zee Entertainment	792	107	82	256
Cipla	749	149	59	60
Sun Pharmaceutical	492	525	264	214
HDFC Bank	479	283	232	144
Dr Reddy's Laboratories	446	64	147	135
Hero MotoCorp	438	537	178	92
Britannia Industries	396	105	119	511
Suven Life Sciences	326	215	26	944
Hikal	299	1,000	-20	215
Gujarat Gas	292	91	300	105
Rolta India	287	195	87	-39
Reliance Industries	281	539	67	19
Heritage Foods	276	904	37	462
Pfizer	267	75	109	72
Apollo Hospitals	232	400	151	186
Himachal Futuristic	212	-69	-34	16
Berger Paints India	210	786	126	477
Tata Elxsi	181	223	57	696

Source: Bloomberg, Centrum Wealth Research

FIXED RATE OF RETURN

- Bank FDR rate which was 14-15 % 2 decade ago now drop down to 6 % & I am sorry but it may go to 3% in next 2 years & that too Pre Tax . So Post Tax ???
- NBFC was also too Good earlier mostly 12-15 % a decade ago now drop to 7-8 % But After DHFL saga now repayment of Invested money also is at stake
- LIC earlier 12 % now also came down to 8.5 %*
- Postal MIS also drop down to 7.3 %

So While putting your money in to Fixed Deposit need to think twice , Do not keep Excess FD , Don't Kill your own Capital

MUTUAL FUND

- If you don't find time to study market , still want to earn better than Bank FDR then this is the ideal source
- Need to study various schemes
- Can Avail Professional Advise
- Very Long Term View is required say min. 10-15 Years
- Do not expect Very Handsome gains like earlier but it will be good gains compare to Bank FDR as base is high in NAV
- Small amount like 500-1000 also can be invested

ICICI Prudential Multicap and Reliance Growth, have consistently beaten the Nifty in every five-year interval from 1998 to date.

Scheme Name	Launch Date	Returns (%)			
		30-04-2018	30-04-2013	30-04-2008	30-04-2003
Nifty 50		12.60	2.80	40.73	-4.23
Canara Robeco Equity Tax	31-03-1993	16.24	10.79	41.25	-0.01
HDFC Equity Fund	24-12-1994	17.18	9.62	49.62	23.37
HDFC Top 200 Fund	03-09-1996	15.30	9.10	52.26	7.93
Franklin India Bluechip Fund	30-11-1993	14.30	8.08	47.27	19.46
HDFC Tax Saver Fund	31-03-1996	17.54	7.83	51.98	36.99
HDFC Capital Builder Fund	29-01-1994	21.29	7.55	49.64	5.11
Franklin India Prima Fund	30-11-1993	26.38	7.18	48.28	21.50
Franklin India Prima Plus Fund	28-09-1994	19.50	6.96	49.20	20.13
Sahara Tax Gain Fund	31-03-1997	15.10	best 20 year	45.90	19.87
DSP BlackRock Equity Fund	05-04-1997	18.41	6.34	56.22	4.31
Tata India Tax Savings Fund	31-03-1996	21.66	4.62	46.41	18.16
ICICI Prudential Multicap Fund	03-09-1994	18.81	4.61	47.51	8.62
Reliance Growth Fund	07-10-1995	20.72	4.13	64.76	16.65
Tata Ethical Fund	23-05-1996	17.97	3.97	52.60	
Reliance Vision Fund	07-10-1995	16.45	3.22	51.53	

Gold & Silver

- We buy Gold & Silver but never sell due to our psychology , so cant treat this asset class as Investment
- One must have exposure in this asset class as Liquidity is very high
- In case of emergency u can pledge this & avail credit facilities
- Though the movement is very slow & prices depends upon International Markets
- Expecting some Gold Disclosure scheme very soon from Govt.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Equity 71.9%	Equity 10.7%	Equity 36.3%	Equity 39.8%	Equity 54.8%	Gold 30.1%	Equity 75.8%	Gold 24.1%	Gold 31.9%	Equity 27.7%	Cash 9.0%	Equity 31.4%	Debt 8.7%	Gold 12.0%	Equity 21.2%
Gold 13.5%	Cash 4.0%	Gold 22.3%	Gold 20.8%	Gold 16.7%	Debt 9.5%	Gold 19.7%	Equity 17.9%	Cash 8.2%	Gold 10.2%	Debt 8.3%	Debt 10.5%	Cash 8.2%	Debt 9.8%	Debt 5.1%
Debt 5.4%	Debt 2.7%	Cash 4.6%	Cash 6.0%	Debt 8.0%	Cash 8.4%	Debt 6.6%	Cash 5.1%	Debt 7.9%	Debt 9.1%	Equity 6.8%	Cash 9.2%	Equity -4.1%	Cash 7.5%	Cash 4.4%
Cash 4.6%	Gold 0.5%	Debt 4.5%	Debt 5.5%	Cash 7.5%	Equity -51.8%	Cash 4.9%	Debt 4.7%	Equity -24.6%	Cash 8.5%	Gold -19.2%	Gold 0.6%	Gold -6.2%	Equity 3.0%	Gold 6.8%
Average														
23.8%	4.5%	17.0%	18.0%	21.7%	-0.9%	26.7%	13.0%	5.8%	13.9%	1.2%	12.9%	1.7%	8.1%	9.4%

*As on August 31, 2017

Equity is represented by Nifty 50

Debt is represented by CRISIL Short term bond Index,

Cash is represented by CRISIL

Liquid fund Index and Gold – Bloomberg, MOWM

Average: Equal allocation to each asset class in the calendar year

11.4%
CAGR

CAGR of underlying asset classes			
Equity	Gold	Debt	Cash
16.2%	11.6%	7.1%	6.8%

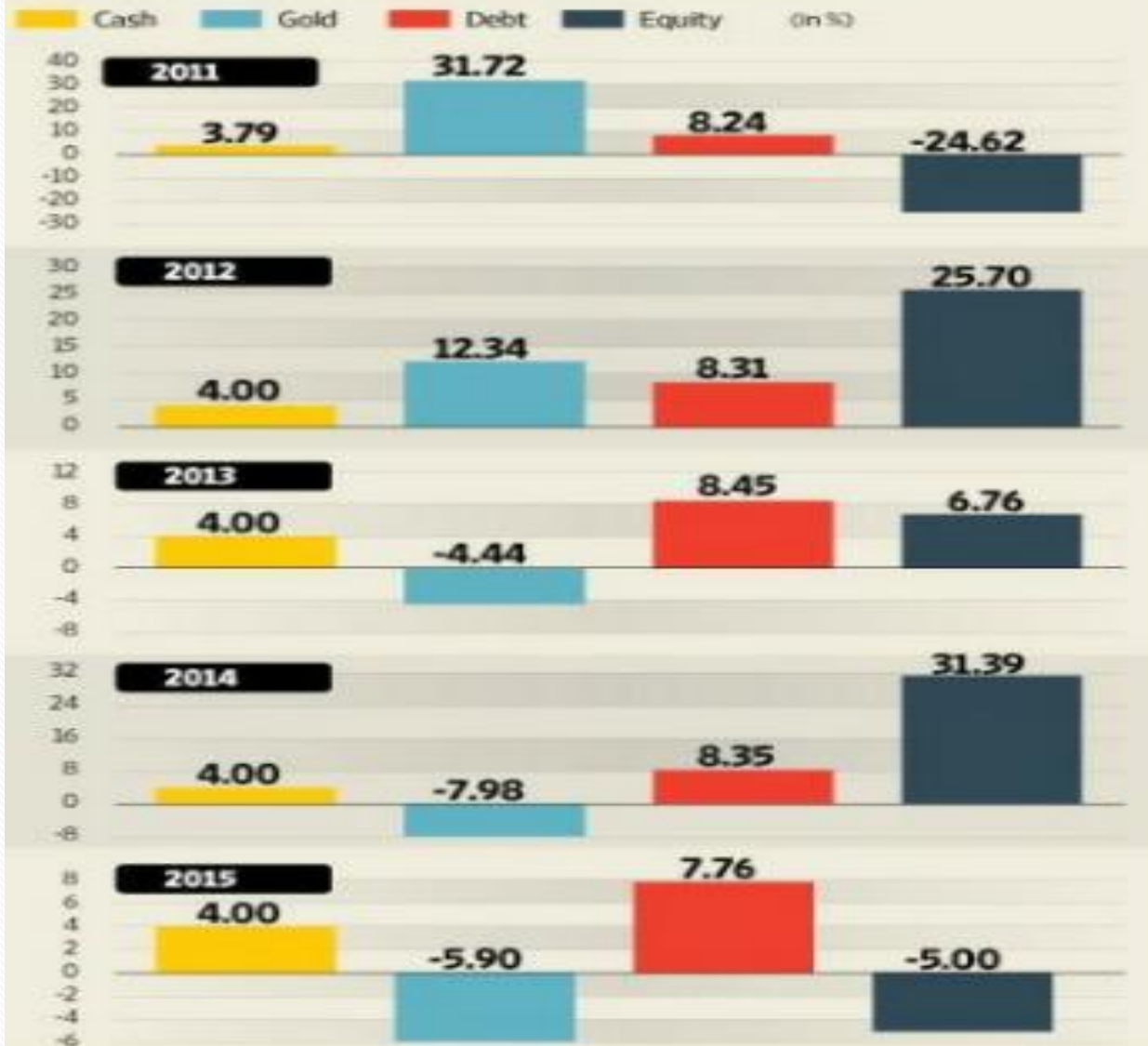
Multi-asset approach tends to deliver smoother returns than what is achieved by investing in just a single asset class

Real Estate

- Govt. giving various Boosters to this Sector , to help Real Estate Sector which is down from last 3-5 Years
- Second Home is good investment for Long term as Currently prices are not growing since last few years & may gradually grow in next few years
- Keeping more exposure in this sector is not advisable

EACH YEAR HAS A NEW WINNER

That's why you need a diversified money box



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