



NRIVA BUSINESS & EQUITIES ADVISORY GROUP WELCOMES

INVESTORS EDUCATION WEBINAR-
STOCKS & OPTIONS

09/26/2018

COMMITTEE: SURESH CHATAKONDU(EC
LIASON),VENKAT BELDE(CHAIR),PRAVEEN
GOPU,VAMSHI YELAKANTI

Risk Disclaimer

Trading or investing carries high level of risk, and is not suitable for all persons. Before deciding to trade or invest you should carefully consider your investment objectives, level of experience and ability to tolerate risk. This content is provided for the sole purpose of education and assistance in making independent investment decisions. The content discussed is only from the personal experience and purely the views of presenter. The content discussed here does not guarantee its accuracy and not liable for any loss or damage which may result directly or indirectly from such content. Examples shown here are purely personal experiences of presenter and may not be applicable to others. No representation is being made that any person will or is likely to achieve profits or losses similar to those shown. Past performance is not necessarily indicative of future results. Happy Investing.

AGENDA

- **Why 85% of the people invest in stocks and end up in losing money.**
- **Which Mentality suits best for decision making process?**
- **Golden Rules of investing in stock market.**
- **Stocks & Options which is better and why?**
- **How to select right stocks and options.**
- **Indicators that I look before buying a stock.**
- **How the market works the inside look.**
- **How the market is manipulated and how to follow the leaders with some live examples.**
- **How to use stop loss and limit losses.**

Why 85% of the people invest in stocks and end up in loosing money



Why 85% of the people invest in stocks and end up in loosing money

- **Aiming for 'Quick Money'**

The most common mistake people make in the stock market is to be in a rush to make quick money. People are often hasty and invest huge capital in expectations of higher returns without looking at the risks.

- **Non-diversification of the shares**

If there is a boom in the IT industry, some people will invest only in IT companies. Similarly, many people spend all their money only in those sectors which are at their peak. This is risky, as the capital will be lost in a single go if the sector tanks.

Hence, diversification of the stock portfolio is a must for investing not only in the stock exchanges but also in others securities.

Why 85% of the people invest in stocks and end up in loosing money

- **Herd mentality**

Many people invest in stocks because their friends or relatives made a lot by investing in those shares recently. This behavior is very common among investors and is prone to many risks.

People whom others follow for share preferences have some strategy behind them, but they fail to understand this strategy and follow them blindly. Every investor should analyze their reasons and form a plan for his capital investments accordingly.

Why 85% of the people invest in stocks and end up in loosing money

- **Sentiments dominate logical reasoning**

With companies going global, any instability in politics, security, and demography will affect the market sentiments throughout the world. This leads to a market crash and loss of revenue. The people overreact to these incidents without logical analysis of the outcome. For example, the day Brexit referendum was to be declared, the stock market of many countries crashed. However, the next day market became normal without much drop in stock price. The reason being, it was a vote for Brexit and not the implementation, which would happen after two years. There were no immediate consequences. It was one of many incidents where people panic for no reason and lost money foolishly.

- **Not keeping updated with current happenings**

Keeping oneself updated with world news and happening which helps in taking a minute but a critical and crucial decision. One who fails to stay updated often loses out in taking a proper decision during the critical trading duration and loses out money. Key to the stock market is gaining as much information as one can. More your knowledge, better will be your decisions.

WHICH MENTALITY SUITS BEST FOR DECISION MAKING PROCESS?

Successful Investor should

- Think positive and successful person is keen to know what that investment scenario could be.
 - Donations
 - Yoga and Meditation helps our Mind in taking decisions.
 - If you are confident never panic.
 - Limit and Control anger in your day to day lifestyle.
 - Limit your Stress levels in your day to day lifestyle.
- * Just following these points will not help us. We need to have knowledge and strategies setup in our mind.

Golden Rules of investing in stock market

Although no sure-shot formula has yet been discovered for success in stock markets, here are some golden rules which, if followed prudently, may increase your chances of getting a good return:

- **Never Panic and be confident if you have done your homework.**
- **Do not let emotions cloud your judgement.**(Fear & Greed are the worst emotions to feel when investing).
- **Avoid the heard mentality** (if everybody around is investing in a particular stock, the tendency for potential investors is to do the same. But this strategy is bound to backfire in the long run.)

"Be fearful when others are greedy, and be greedy when others are fearful!"

- **Take informed decision** (Proper research should always be undertaken before investing in stocks. But that is rarely done)
- **Invest in business you understand** (Never invest in a stock. Invest in a business instead)
- **Don't try to time the market** (Catching the tops and bottoms is a myth. It is so till today and will remain so in the future. In fact, in doing so, more people have lost far more money than people who have made money)
- **Follow a disciplined investment approach** (Diversify your portfolio, have stop losses)
- **Have realistic expectations** (Do not be too greedy)
- **Invest only your surplus funds.**
- **Monitor rigorously** (If you can't even do that, then stock investing is not for you. Better put your money in safe or less-risky instruments)

Stocks & Options which is better and why?

Whether you are a trader or an investor, your objective is to make money. And your secondary objective is to do so with the minimum acceptable level of risk.

One of the major difficulties for new options traders arises because they do not really understand how to use options to accomplish their financial goals. Sure, they all know that buying something now and selling it later at a higher price is the path to profits.

But that is not good enough for options traders because option prices do not always behave as expected.

Strategy to buy a Call option

For the people who are new to options they might have a question like what are options and who trade them?

- Options are a derivative. In this case a stock. One contract represents 100 shares of underlying stock.
- Options are treated as Insurance by many, like Lotto tickets by some and like an income stream by us.
- They are created by traders who trade them.
- You get a credit when you sell an option.
- You can trade options only in a regular margin account.
- 90% of all options expire worthless.

Strategy to buy a Call option

- **Buying a Call Option : Kumar & Mahesh have \$6000 in their trading account**

Lets see different strategies and which is the best.

Kumar

- **\$6000 in account**

100shares X \$60 = \$6000

Commission \$4.95

- **Buys 20 of the \$60 Calls
@\$3[\$6000 total]**

20 x 100 x \$3 = \$6000

Commission = \$17.5

Mahesh

\$6000 in account

100shares X \$60 = \$6000

Commission \$4.95

Buys 1 \$60 Call

@\$3[\$300 total]

Commission \$5.5

**Deposits \$5700 into
money market**

Stocks & Options which is better and why?

- Buying and Selling stocks is good for Investors and Buying and Selling options are good for traders who are experienced.
- The ROI is less on stocks compared to Options but Options value can become Zero and as per the study 90% of the options expire worthless.
- Selling covered call options and cash-secured puts is a smarter strategy than buying options because **90%** of options expire worthless

Stocks & Options which is better and why?

- Stocks have very high liquidity which means its easy to sell at current prices where as Options do not have high liquidity compared to stocks.
- Simple Example of ROI for different Options

W – Wayfair & STZ – Constellation Brands

	W	STZ
Stock Price	\$40.54	\$153.12
Expiration Date	6/17/2016	6/17/2016
Strike Price	38.5	145
Call Option Price	\$3.10	\$9.20
Implied Volatility	55.8%	29.3%
Stock Price After 2.5% Move	\$41.55	\$156.95
Intrinsic Value	\$3.05	\$11.95
Call Option Return	-1.5%	29.9%

(Tip: Never invest in high Implied Volatility options)

How to select right stocks and options

- First tip in selecting the stocks or options is to look at which sector is moving up for that week. To check this go to :

<https://www.barchart.com/stocks/sectors/rankings#/>

<http://pages.swcp.com/stocks/ind2.htm>

<http://www.nasdaq.com/screening/companies-by-industry.aspx?exchange=NASDAQ&industry=Basic+Industries>

- Secondly select the stocks from high performing sectors. Depending on your risk level either go with stocks or options.
- Thirdly look for set indicators for that selected stock like RSI,MACD,A/C line(Accumulation/Distribution), Aroon, MFI(MoneyFlowIndex),Volume

Indicators that I look before buying a stock

- GoTo <http://www.stockcharts.com/>
- ACAD

Indicators	Parameters	Position
Accum/Distribution Line		Above
Aroon	25	Below
Money Flow Index (MFI)	14	Below

Indicators that I look before buying a stock

- GoTo <http://www.stockcharts.com/>
- ACAD



Indicators that I look before buying a stock



How the market works the inside look

- Buyers can be Investors/Bulls (Funds)
- Sellers can be Investors/Bears (Funds)
- Market Makers (Stocks) also called Option Writers (Options)



How the market works the inside look

- A **market maker** or liquidity provider is a company or an individual that quotes both a buy and a sell price in a financial instrument or commodity held in inventory, hoping to make a profit on the bid-offer spread.
- Difference between a Broker & Market Maker

A **broker** is an intermediary who has a license to buy and sell securities on a client's behalf. Stockbrokers coordinate contracts between buyers and sellers, usually for a commission. A **market maker**, on the other hand, is an intermediary that is willing and ready to buy and sell securities for a profitable price

How the market works the inside look

Tips :

- Never buy options which do not have liquidity.
- Never buy stocks which are less than \$10 (Reason is funds are not involved in those stocks)
- Look for high volume stocks to trade.
- Usually IV is strong in the mornings and decays after 2PM(ex: Price is same even when the stock moved by \$1)
- Never trade weekly options.
- Have a limit on your losses or profits.
- Market Makers know when individual investors take up positions.

How the market is manipulated and how to follow the leaders

- Manipulation is very common in stock market as speculators use rumors which is legal. There are many legal ways where you can manipulate market.
 1. Create Rumors (NBEV)(Coke buying NBEV)
 2. Example of TLRY (Raise the price and release the news)- Money Power & Shares only available with promoters (Shares not available to short)
 3. Upgrade the stock and when buyers come dispose off the stock.
 4. At the time of options expiration (All funds trade options-that was the reason for introducing weekly options)
 5. At the time of results (example of ULTA)

How the market is manipulated and how to follow the leaders

How to follow the leaders?

- Remember that Funds accumulate/dispose stocks called as **rotation** before propping up or down the stock.
- Rotation happens between a set of traders either buying or selling.
- Strategy is developed well before an event by the traders.
- Funds make money by buying or selling in volumes with very less margin near the Support/Resistance levels and not the way investors do.

How the market is manipulated and how to follow the leaders



Manipulation Example



News

Cronos Stock Declines by 30% After Citron Blast

INVESTOPEDIA Nathan Reiff, Investopedia - August 31, 2018

YANTAI, CHINA / ACCESSWIRE / August 22 , 2018 / Newater Technology, Inc. (NEWA)
("NEWA," "we," "our" or the "Company"), a developer, service provider and manufacturer of membrane filtration products and related hardware and engineered systems that are used in the treatment, recycling and discharge of wastewater, today announced that it is not aware of the reasons for the recent volatility in its stock price. In addition, the Company has not selectively disclosed any material nonpublic information to analysts, investors or others without concurrently making a widespread public disclosure. Additionally, neither the Company's executive officers, directors nor, to the knowledge of the Company, any controlling shareholders, sold or purchased common shares of the Company within the last 30 days. The Company's management believes it is prudent to advise the market of this given recent fluctuations of its stock price.



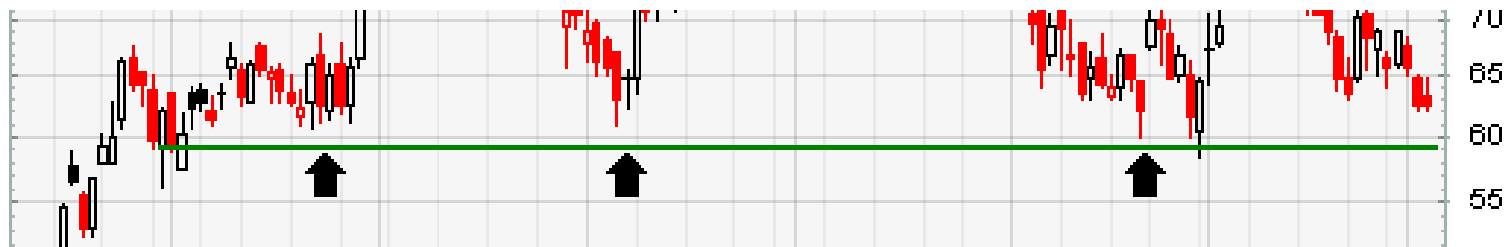
How to use stop loss and limit losses

Stop Losses are very important in this market to limit losses or profits. Lets see how it works?

Support and resistance represent key junctures where the forces of supply and demand meet.

What is Support?

Support is the price level at which demand is thought to be strong enough to prevent the price from declining further.



How to use stop loss and limit losses

What is Resistance?

Resistance is the price level at which selling is thought to be strong enough to prevent the price from rising further.



Simple rule of thumb is :

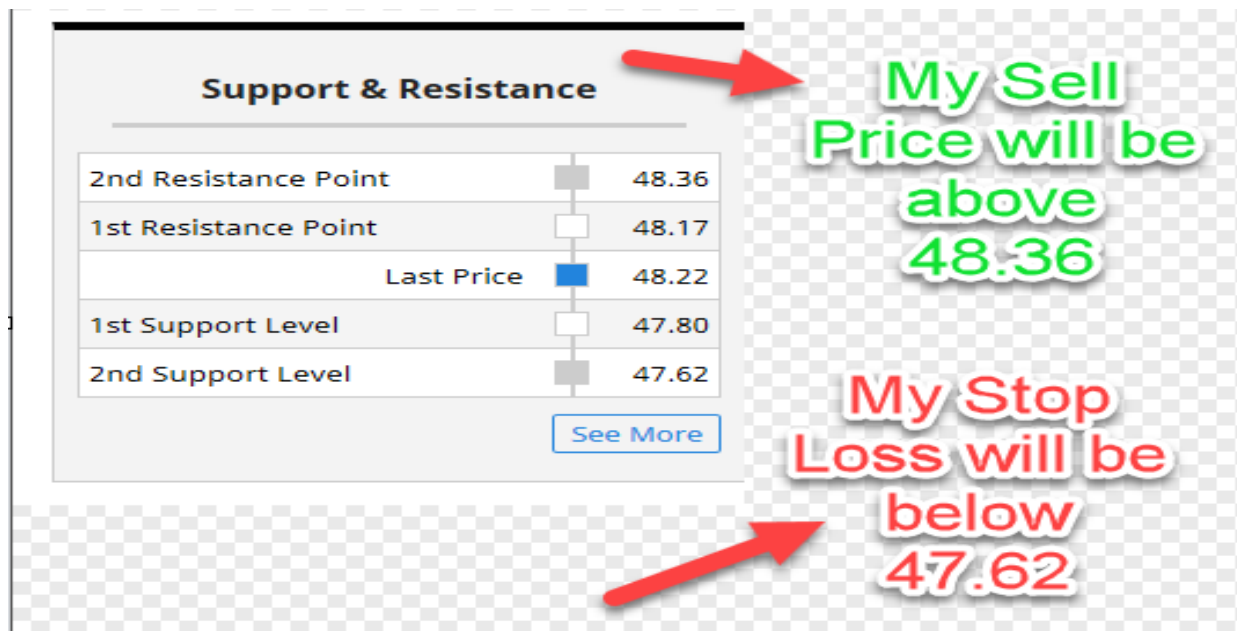
Buy on Support & Sell on Resistance.

How to use stop loss and limit losses

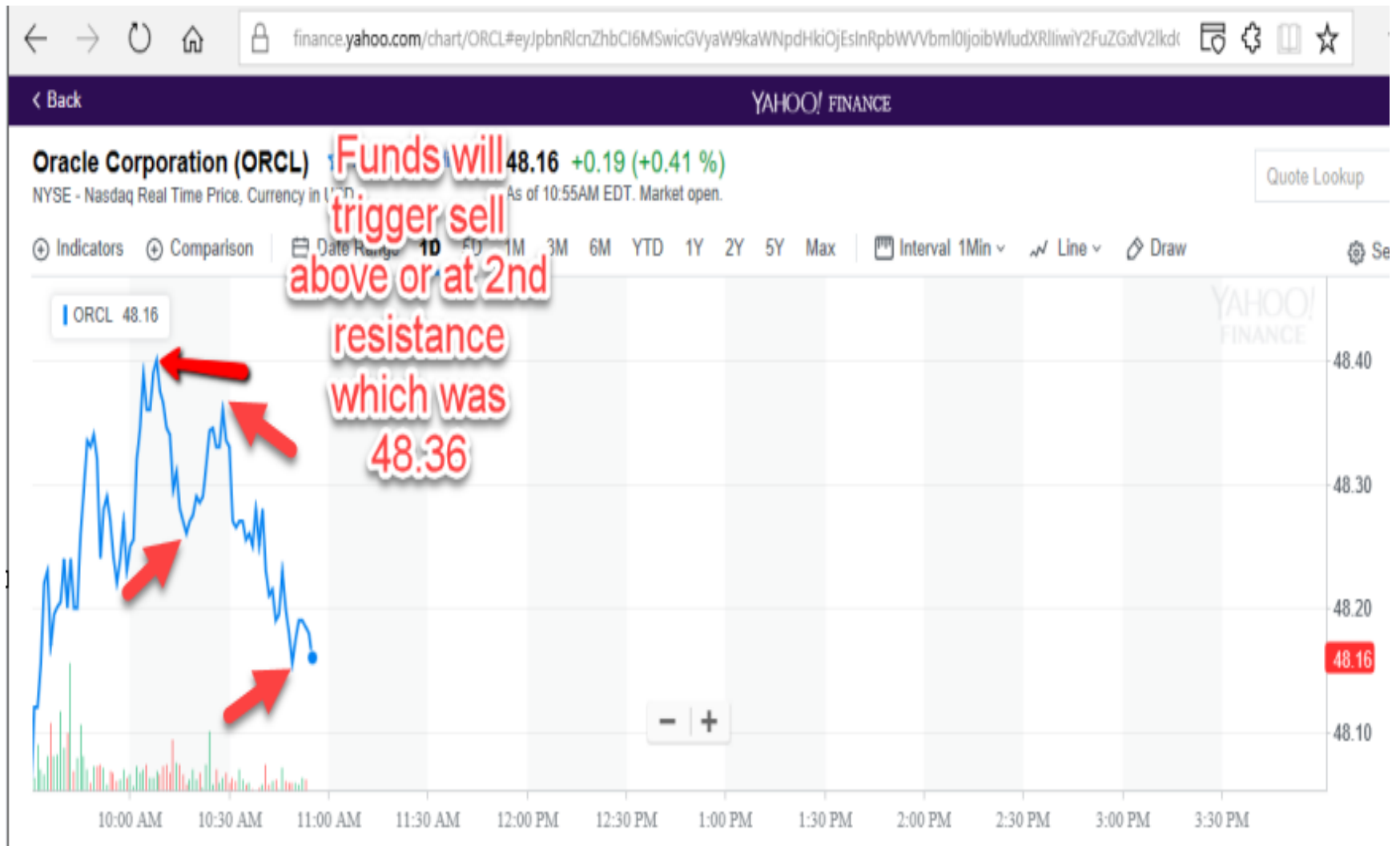
Where to find Support & Resistance levels for any stock in real time?

Goto :

<https://www.barchart.com/stocks/quotes/ORCL/opinion>



How to use stop loss and limit losses



What timeframe options are better and why?

- In my View of all the timeframes I felt successful with a plan were 3-6 months time frame works better. Every quarter we have results and buy the time range of options which expire one week after the results date.

Tip:

- Never hold the options until the last week. Just before two weeks of the options expiry rollup the options by a month to be successful.

Why?

- Because around that time small denomination strikes are introduced which will decrease the IV and so the premium. For ex : Previously the options were 50,55,60 but after small denomination includes 50,51,52,53,54,55 or 50,52.5,55 etc.

Questions & Answers

- Best cheap brokerage for trading options & stocks is TastyWorks : <https://start.tastyworks.com#/login?referralCode=RSN35DGQ3V>
- I am available all the time for any questions.
Email : tradingvamshi33@gmail.com



For more Updates: Visit NRIVA.org