MANAGEMENT THESIS - I
ON

TO STUDY ANALYSIS OF STOP –LOSS STRATEGY IN INTRA-DAY TRADING

Submitted By

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Faculty Guide   **Company Guide**

Mr.   **Mr.**

A REPORT ON

Analysis of stop loss strategy in intraday treading

BY
(Name)
M.B.A

A report submitted in partial fulfillment of the M.B.A. Program (Class 20 -20)
_____ College

Marked Copies to:

i) Company Guide   **:**
ii) Faculty Guide   **:**
iii) INC Chinch wad Head.   **:**

CERTIFICATE

This is to certify that the management thesis-I titled "Analysis of stop loss strategy in intraday treading". Submitted by _____ Enrollment Number-_____ during semester-III of the M.B.A Program (Class 20 - 20) Embodies original work done by her.

Signature of the Faculty Supervisor

Name:-

Designation:-

Center:-

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To start with, I am indebted to my company guide, **Mr. _____,** who was always ready to help. Without his ideas and timely suggestions this report would never have reached its post.

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I would sincerely thank to my faculty guide Mr**. _____,** for his guidance and encouragement for providing me this learning opportunity

I would sincerely thank **Mr. _____,** for his guidance and encouragement for providing me this learning opportunity and also I would like to say thanks to (Institute name) for providing knowledge, technically support .

Along with this I would like to express my gratitude to each and every person directly or indirectly involved in the making of this project.

(Name)

Abbreviation:

1) BSE –Bombay stock exchange

2) NSE- National stock exchange

3) NSDL- National security depository limited

4) IPO- Initial Public offer

5) SEBI-Security Exchange Board of India

Abstract

Intraday term is which use in shares market. Intraday means is for that one day only. Whereas some day traders hold share for one day .intraday traders maintain no overnight positions scalp trading is a form of intraday trading. Market opens on 9.55 A. M. and its closes on 3.30P.M. In between if we purchase share and sold the shares is called intraday treading. Intraday trading requires tight stops to be profitable. You are limited by the clock and the daily range of your selected stock. Remember, a pure day trader goes home flat everyday

Stop loss

Stop loss strategy used for reducing loss. The technical definition of a stop loss order is a limit order that becomes a market order when the price is reached. This prevents you from "missing the market" which might happen with a regular limit order. A stop loss is a simple concept designed to limit losses on shares. The investor simply sets a rule that when a share price falls to a certain level, he will sell the shares, no matter what.

INTRODUCTION:

Analysis of intraday trading strategies using stop loss policy at "Sharekhan LTD".

A stop loss is an order to buy (or sell) a security once the price of the security climbed above (or dropped below) a specified stop price. When the specified stop price is reached, the stop order is entered as a market order (no limit) or a limit order (fixed or pre-determined price).Automatic sale of stock. When your stock drops a specified $ amount or % then the stock is automatically sold. Stop/loss is instructions you usually give your broker. Say your stock has not been doing so well but you have made money and you like the company; then your stock begins to drop in value (think Enron) you tell your broker to sell if if drops below a certain point. Example: you bought stock at $60 and it reached $75, it starts dropping. You notify your broker to sell if it goes lower than $62. You will sell it for a amount less than $62 therefore stopping further loss.

A stop loss is a simple concept designed to limit losses on shares. The investor simply sets a rule that when a share price falls to a certain level, he will sell the shares, no matter what.

Types of Stop Loss order

1) Stop Loss Limit Order: stop loss limit order is an order to buy a security at no more (or sell at no less) than a specified limit price. This gives the trader some control over the price at which the trade is executed, but may prevent the order from being executed.

2) Stop loss buy limit order: can only be executed by the exchange at the limit price or lower. For example, if an trader is short and wants to protect his short position but doesn't want to pay more than Rs.100 for the stock, the investor can place a stop loss buy limit order to buy the stock at any price up to Rs.100. By entering a limit order rather than a market order, the investor will not be caught buying the stock at Rs.110 if the price rises sharply.

3) Stop Loss Market Order: stop loss market order is an order to buy (or sell) a security once the price of the security climbed above (or dropped below) a specified stop price. When the specified stop price is reached, the stop order is entered as a market order (no limit). In other words a stop loss market order is a order to buy or sell a security at the current market price prevailing at the time the stop order is triggered. This type of stop loss order gives the trader no control over the price at which the trade will be executed.

Advantages and disadvantages of the stop loss limit order

The main advantage of a stop loss limit order is that the trader has total control over the price at which the order is executed.

The main disadvantage of the stop loss limit order is that in a fast moving volatile market your stop loss order may not get executed if there are no buyers/sellers at the limit price

Advantages of the stop loss market order

The main advantage of a stop loss market order is that the stop loss order will always get executed.

The main disadvantage of the stop loss market is that the trader has no control over the price at which the transaction is executed

Alternatively a stop loss sell limit order can only be executed at the limit price or higher.
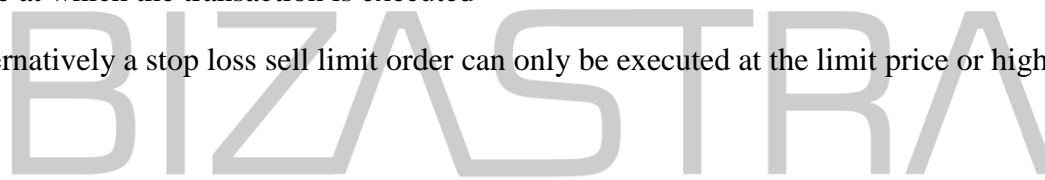
OBJECTIVE

- To understand the intraday treading shares market.

- To understand the stop loss order

- To know   stop loss strategy

- To analyze   of stop loss applied by sample size

- To understand   and enhance the my knowledge   related to intraday strategy concepts

LIMITATION

- People unwilling to disclose the their data

- People not ready to give extant figure

- Nobody is responded well

- Difficulty in convincing customers for filling questionnaire.

- This research related to Sharekhan LTD. customer

- We got very less time

RESEARCH DESIGN

i. My research design start with gaining knowledge about the following topic before going for conducting survey:

- Gain knowledge about long-term investment
- Investors buying behavior in intraday investment
- To know about different types of strategy companies

ii. The survey was conducted to know about the intraday strategies uses in shares market

iii. Based on the survey conducted analysis was done than it was elaborated as findings.

iv. Than conclusion recommendation was made.

Some of the process of survey as follows,

This process has started with personal visit, tele-calling, home visit and follow-up calls:-

1. Personal visit:-

By personally visiting corporate and investors we can explain them in details and the exact reaction of people is understood and we can also abstract their contact numbers for further correspondence.

2. Tele-calling: –

Then after obtaining contact numbers from a database I use to conduct cold calls to those customers and can obtain appointment with them.

3. Home visit:-

By meeting the prospective customers, I cold convince them to buy policies and convert them into potential customers such as For recruiting people as advisors, I mainly target customers such as Chartered

Accountant, Company Secretary and other professionals and Businessmen so that they can generate business for the company.

Customers can be retained only if the services meet their expectations.

METHODOLOGY

Primary Data

Tools

1) Personal   Interview with questionnaire

2) Tele-phonic Interview

Personal interview with the help of close ended questionnaire. For this, information will be collected by interacting with the employees of the competitors. Various equity trading companies would be visited for retrieving the information required. This exploratory research will yield some useful insights and information because interaction will involve going deep into the thoughts that an employee might have for the organization. After successfully interaction with the employees information can be compared Vis a Vis with SHAREKHAN Securities Ltd.

Secondary Data

Internet.

Review of literature:

1) Peter P. Carr, Robert A. Jarrow   www. ieeexplore.ieee 08/10/2007

According to me, the downside risk in a leveraged stock position can be eliminated by using stop-loss orders. The upside potential of such a position can be captured using contingent buy orders. The terminal payoff to this stop-loss start-gain strategy is identical to that of a call option, but the strategy costs less initially. This article resolves this paradox by showing that the strategy is not self-financing for continuous stock-price processes of unbounded variation. The resolution of the paradox leads to a new decomposition of an option's price into its intrinsic and time value. When the stock price follows geometric Brownian motion, this decomposition is proven to be mathematically equivalent to the Black-Scholes (1973) formula previously described trading systems based on unsupervised learning approaches such as reinforcement learning and genetic algorithms which take as input a collection of commonly used technical indicators and generate profitable trading decisions from them. This article demonstrates the advantages of applying evolutionary algorithms to the reinforcement learning problem using a hybrid credit assignment approach. In earlier work, the temporal difference reinforcement learning approach suffered from problems with over fitting the in-sample data. This motivated the present approach Technical analysis has been shown previously to have predictive value regarding future movements of foreign exchange prices and this article presents methods for automated high-frequency FX trading based on evolutionary reinforcement learning about signals from a variety of technical indicators. These methods are applied to GBPUSD, USDCHF and USDJPY exchange rates at various frequencies. Statistically significant profits are made consistently at transaction costs of up to 4bp for the hybrid system while the standard RL is only able to trade profitably up to about 1bp slippage per trade.

2) The Review of Financial Studies, Vol. 3, No. *3* (1990), pp. 469-492

The downside risk in a leveraged stock position can be eliminated by using stop-loss orders. The upside potential of such a position can be captured using contingent buy orders. The terminal payoff to this stop-loss start-gain strategy is identical to that of a call option, but the strategy costs less initially. This article resolves this paradox by showing that the strategy is not self-financing for continuous stock-price processes of unbounded variation. The resolution of the paradox leads to a new decomposition of an option's price into its intrinsic and time value. When the stock price follows geometric Brownian motion, this decomposition is proven to be mathematically equivalent to the Black-Scholes (1973) formula

3) Vanstone, G. Finnie, and C. Tan (Australia) www.statecoverage.net/statereports

08/10/2007

This paper examines financial trading from the aspect of security selection. In practice, it is unrealistic for a financial trader to participate in the full market of tradeable securities, and a selection mechanism must be employed to reduce the number of possible securities competing for investment capital. Essentially, there are two main methodologies used, namely, Fundamental Analysis, and Technical Analysis. This paper examines the practice of Fundamental Analysis, and demonstrates how neural networks can be practically employed to enhance the fundamentalist selection process

4) Institut d'Economie Industrielle, Université des Sciences Sociales de Toulouse, Place Anatole France, F-31042 Toulouse Cedex, France

We show in this article that bang-bang portfolio strategies where the investor is alternatively 100% in equity and 100% in cash are dynamically inefficient. Our proof of this result is based on a simple second-order stochastic dominance (SSD) argument. It

implies that this is true for any decision criterion that satisfies SSD, not necessarily expected utility. We also examine the stop-loss strategy in which the investor is 100 percent in equity as long as the value of the portfolio exceeds a lower limit where the investor switches to 100 percent in cash. Again, we show that this strategy is inefficient under second-order risk aversion. However, a slight modification of it–in which all wealth exceeding a minimum reserve is invested in equity–is shown to be an efficient dynamic portfolio strategy. This strategy is optimal for investors with a nondifferentiable utility function.

Portfolio management - stop-loss - order of risk aversion – martingale

Empirical analysis

The share price falls from 1.10 down to 1.05. What does our trailing stop loss do? Would it move down also? Here's another important point to note. A stop loss will never ever move down. A trailing stop loss can only ever move up. In this way, we'll lock in profit and we'll also get out of shares once they start to turn. A trailing stop loss is always calculated from the highest price since entry, so the highest price is still 1.10

It's not until the share price makes a new high since entry that the trailing stop loss would begin to move in our favor again for this particular stock stop loss strategy

An order placed with a broker to sell a security when it reaches a certain price. It is designed to limit an investor's loss on a security position. This is sometimes called a "stop-market order".

1) Are you treading in shares market?

  Yes I am investing my surpluses money in share market.

  Yes ,I am investing my money in share market

  Yes, I am investing my some part of saving in share market.

  Yes, I am investing my savings per months 10,000/ in share market.

  Yes, I am investing my some part of saving in share market.

Findings: They are investing their saving, surplus money in shares market
2) How many types group of shares do you buy?

  I always buy the share of **Blue cheap** companies share like TATA MOTARS, RELIEANCE,

  I buy the share of B **GROUP** companies share

  I try to buy the different company's share so if one company goes down I can make profit in other company shares

I always buy the share of **Blue cheap** companies share like RELIANCE OIL, COMMUNICATION, BHARTI, and IDEA CELLULAR

I always buy the share of **Blue cheap A GROUP** companies share

Findings: Most of the person want invest in A Group company

3) **Are you treading through online or offline?**

I tread in online treading in intraday

I tread in online treading in intraday

I tread in online treading in intraday

I tread in online treading in intraday

I tread in online treading in intraday

Yes, 80% of people are treading through online

4) Do you trade in intraday?

Delivery

Delivery

Yes

Yes

Yes

Finding: they are treading in intraday I asked them there is risk then said we are ready to take risk but we want to earn money

5) What is volume of stock you buy?

At time I buy 45 to 50 shares of different company

At time I buy 65 to 80 shares of different company

At time I buy 10to15 shares of one company like this at time I buy 2 to 3 company's shares

At time I buy 100 to 125 shares of different company

At time I buy 35to 40 shares

Finding: most of people buying between rang of 30to 70 shares at time ,so at time 100 an more shares buyer is less

6) **Do you use market price or trigger price**?

    I use to tread in market price

    I use to tread in market price

    I use to tread in market price

    I use some limit price

    I use market price

    Finding: market price

7) **Do you use stop loss strategy in intraday treading?**

    Yes

    Yes

    Yes

    Yes

    Yes

8) **Do you use this strategy on company call or as per your own risk?**

    Most of the time I use on company call

    Most of the time I use on my risk

    Most of the time I use on company call

    Most of the time I use on company call

    Most of the time I use on company call

Finding: they are using as per company call

9) **How much money do you invest in share market**?

    I have invested in share market 1,20,000/ Rs only in share in Blue Chip Company

    I have invested in share market 2, 50,000/ Rs only in share in B group Company

    I have invested in share market 4,50,000 Rs only in share in Blue Chip Company

    I have invested in share market 1,00,000/ Rs only in share in Blue Chip Company

    I have invested in share market 500000/ rs only in shares

Findings; the range of investing money in a year from 50,000to 20, 00,000/Rs this I found during study

10) How do you analyze these charts?

> I observe these charts, as well as on company recommendation also dealer of company. Pick point, low point, average, some time this charts suddenly got late that's why it will not beneficial us using this charts

> I use these charts, as well as on company recommendation also dealer of company. Pick point, low point, average, some time this charts suddenly got late that's why it will not beneficial us using this charts

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Findings: They are analyzing the technical charts, experience, reports, and comments of company head on the basis they are treading

11) What is the base of decision?

> Technically elaborating, company use to call at time of volatile in market so we try to secure us as early as possible using stop loss strategy.

> Technically elaborating, volatile in market so we try to secure us as early as possible using stop loss strategy.

> Technically elaborating, company use to call at time of volatile in market so we try to secure us as early as possible using stop loss strategy.

Technically elaborating, company use to call at time of picks in or lows in market so we try to secure us as early as possible using stop loss strategy.

Technically elaborating, company use to call at time of volatile in market so we try to secure us as early as possible using stop loss strategy.

Findings: They are analyzing the technical charts, experience, reports, and comments of company head on the basis they are treading

12) What time lag is in order and order execution?

Most of the time 3to 5minute gap between order executions

Most of the time 2 to 3 minute gap between order executions

Most of the time 15 to 30 minute gap between order executions

Most of the time 7to 10 minute gap between order executions

Most of the time 4 to 5 minute gap between order executions

Findings time lag is between order and order execution is rang 2minute 5 minute

13) Have you analyses the loss during the above situation?

1)Yes, I use this facility on company call .company send SMS to us before 15 minute then within 10minute we have to take decision I would like to give one example on this. I had bought shares of sun pharma the volume was 50 shares. per shares price was 917.80paisa .then suddenly company had given call for use stop loss facility , after 5 minute I secure my self and I gave this order on for 913 RS .

After 2 minute market gone down on 905rs so automatically my shares sold on 913 rs and I save my 8 rs per share loss means totally 400 rs loss I had to bear but because this facility I secure my investment .

2)Yes, I use this facility on company call .company send SMS to us before 20 minute then within 5 to 7 minute we have to take decision I have one example on this I had bought shares of **satyam computer** the volume was 65 shares. per shares price was 667.55paisa .then company had given call for use stop loss facility, after 5 minute I given this stop loss order to secure myself and for 660rs

After 15 minute market gone down on 655rs so automatically my shares sold on

660 rs and I save my 5 rs per share loss means totally 320 rs loss I had to bear but because this facility I secure my investment .

3) Yes, I use this facility on company call .company send SMS to us before 15 minute then within 2 minute we have to take decision I would like to give one example on this. I had bought shares of TATA MOTOR   the volume was 15 shares. per shares price was 850.80paisa .then company had given call for use stop loss facility , after 5 minute I secure my self and I gave this order on for 855 RS .After 7 minute market gone ups on 865 rs so automatically my shares sold on 855 rs and I lose my 10 rs per share profit means totally 50 rs I lose I have to bear nobody is responsible for that but in case loss this facility I secure my investment

4)Yes, I use this facility on company call .company send SMS to us before 15 minute then within 10minute we have to take decision I would like to give one example on this. I had bought shares of R LOBORETRY the volume was 87 shares. per shares price was1050.80paisa .then suddenly company had given call for use stop loss facility , after 5 minute I secure my self and I gave this order on for 1045 RS .After 2 minute market gone down on 1037rs so automatically my shares sold on1045 rs and I save my 7 rs per share loss means totally 607rs loss I had to bear but because this facility I secure my investment

5)Yes, I use this facility on company call .company send SMS to us before 10 minute then within 20to 25 minute we have to take decision I would like to give one example on this. I had bought shares of   IDEA CELLULAR the volume was 50 shares. Per shares price was120.63paisa .then suddenly company had given call for use stop loss facility, after 5 minute I wanted to secure my stock   and I gave this order on for 115. Rs. That day market gone down till 90 Rs so automatically my shares sold on115 Rs and I reduce my loss and I sold my stock

by 5 Rs per share loss means totally   250 Rs loss I had to bear but because this facility I secure my investment

Findings: I found that minimum 200 to 700 Rs at time of treading we can earn or we can say we will increase our profit

14) How much you save after using this facility on particular dealing?

1) Till date I saved I could able to tell exact but near about in two year 15,000/rs I saved

2) Till date I saved I could able to tell exact but near about in two year 75,000/rs I saved

3) Till date I saved I could able to tell exact but near about in two year 10,000/rs I saved

4) Till date I saved I could able to tell exact but near about in two year 1, 50,000/Rs I saved

5) Till date I saved I could able to tell exact but near about in two year 25,000/rs I saved

Findings: They saved till date very hues amount

15) What are experiences you are using for availing stop loss facility?

1)I am having experience 2 year in share market that's why I believe on dealer , company calls ,report to take help

2) I am having experience 6 year in share market that's why I believe on dealer , company calls ,report to take help

3) I am new in this sector so I believe on company calls ,reports I believe on dealer , company calls ,report to take help

4)I am having experience 7 year in share market that's why I believe on dealer , company calls ,report to take help, and own risk taking ability

5) I am having experience 4 year in share market that's why I believe on dealer , company calls ,report to take help

Finding: Acquiring knowledge, using charts, technical terms

16) How you have improved over this strategy?

1) By upgrading knowledge, by reading books, internet data ,asking seniors , who is working in this industry since last 15to 20years

2) By upgrading knowledge, by reading books, internet data ,asking seniors , who is working in this industry

3) By upgrading knowledge, by reading books, internet data ,asking seniors , who is working in this industry

4) By upgrading knowledge, by reading books, internet data ,asking seniors , who is working in this industry

5) By upgrading knowledge, by reading books, internet data ,asking seniors , who is working in this industry

Finding: Acquiring knowledge, using charts, technical terms

17) Which facility of stop loss option is prominent and more efficient?

1) This stop loss strategy it will help is to reduce loss nit means increase in profit so it will help in both profit as well as reducing losses

2) This stop loss strategy it will not help to reduce losses because If company gives call on right time then it will work so that limit price will give intimation on both side so according to me stop loss will help but more efficient is limit price

3) This stop loss strategy it will help is to reduce loss nit means increase in profit so it will help in both profit as well as reducing losses

4) This stop loss strategy it will help is to reduce loss nit means increase in profit so it will help in both profit as well as reducing losses.

5) This stop loss strategy it will help is to reduce loss nit means increase in profit so it will help in both profit as well as reducing losses

Findings: stop loss strategy is the best weapon to save losses s in shares market in intraday treading

Finding

- Customer want to take risk for earn profit.
- They are aware about stop loss strategy.
- They want use this strategy to reduce the losses
- If company call on right time than customer use this strategy
- They analysis report of company guide
- They are using the different charts on the basis they are making decision whether should use the stop loss or not.

Suggestion

- Company has to call at right time to customer
- Report should be very technically elaborated
- Every day company has to send mails to their customer before opening market, after opening but before 11.PM, so customer can make decision.
- Company has to find whether this strategy are being using or not, because some customer couldn't able to handle computer

Conclusion

Customer want to take risk for earn profit. they are aware about stop loss strategy.

They want use this strategy to reduce the losses if company callon right time than customer use this strategy they analysis report of company guide they are using the different charts on the basis they are making decision whether should use the stop loss or not. company has to call at right time to customer report should be very technically elaborated every day company has to send mails to their customer before opening market, after opening but before 11.PM,socustomer can make decision .company has to find whether this strategy are being using or not, because some customer couldn't able to handle computer

There's a reason flight attendants show you where the emergency exits are *before* takeoff. The same thinking should apply to investors. Prudent investors have a sell strategy in place before they get involved with a stock. Using any of these stop strategies helps keep your emotions out of the process when an investing emergency arises.

RECOMMENDATIONS

To Share khan

CRM

After acquiring a customer he or she requires a special attention which can be done by assigning that particular customer to relationship executive. A dedicatedly assigned relationship manager can give investment & trading advices to the client in better & faster manner. To retain a customer is always difficult than to acquire one.

Effective analysis tools:

If company hair good knowledgeable , technical analytical skill , experience researcher to research on market volatility and he provide right solution to customer so customer will use this strategy so customer will not affect by losses and he will tread more in intraday by using stop loss strategy because customer get benefits of this things

Customer convenience:

Suggestions are not available in the basic portal. The terminal speed is low and the login ID, TPIN and phone ID are not changeable. Company may provide these facilities as well.

Pledging:

In order to attract customers, Sharekhan should provide SMS facility system. This will motivate to customer to tread in intraday it will increase the awareness of this strategy its

Report:

Company is sending report to their customer on their Email so that report should be valuable not copy, paste and their should be something base for that analysis, charts, graph, facts and figure and on time that is important .

Appendices

1) What is your Name?

2) Are you treading in share market?

3) **How many types of group shares do you buy?**

4) Are you treading through online or offline?

5) Do you trade in intraday?

6) What is volume treading intraday?

7) Do you use market price or trigger price?

8) Do you use stop loss strategy in intraday treading?

9) Do you use this strategy on company call or as per your own risk ?

10) How much money do you invest in share market?

11) How do you use these charts?

12) What is the base of decision?

13) What time lag is in order and order execution?

14) **Have you analyses the loss during the above situation?**

15) How much money you save after using this facility on particular dealing?

16) What are experiences you are using for availing stop loss facility?

17) How you have improved over this strategy?

18) Which facility of stop loss option is prominent and more efficient?

References

www.sharekhan.com

www.nseindia.com

www.icicidirect.com

www.indiabulls.com

www.kotakstreet.com

www.5paisa.com

www.google.com

Glossary

Stop loss:

A complex stop-loss order in which the stop loss price is set at some fixed percentage below the market price. If the market price rises, the stop loss price rises proportionately, but if the stock price falls, the stop loss price doesn't change.

IPO: initial public offer

Pattern day trader: is defined in any customer who executes 4 or more round-trip day trades within any 5 successive business days

Day trading: Is a very risky trading style. The Securities and Exchange Commission (SEC) makes new amendments to address the intraday risks associated with day trading in customer accounts. The amendments require that equity and maintenance margin be deposited and maintained in customer accounts that engage in a pattern of day trading in amounts sufficient to support the risks associated with such trading activities.

Securities and Exchange Commission (SEC): Makes new amendments to address the intraday risks associated with day trading in customer accounts.

Trailing Stops: Any of the above stop losses can be turned into a "trailing stop." This strategy locks in specific profits and prevents you from giving back too much of a winning position

THANK YOU