

Why is stock market not a gambling den?

Stock markets are often associated with gambling. In many cities, the lane in which the futures markets are located, be it for commodities or stocks, is called 'Satta bazaar', and those associated with it, labelled as gamblers. This is why only over 2 million people participate in secondary markets and about 30 million out of a 100-crore population hold shares. Parents and grandparents will usually offer cautionary words of advice to those wanting to enter any activity relating to share markets. In fact, there was a time when it was difficult to procure a matrimonial alliance for someone dabbling in stocks and shares.

Let us therefore understand the difference between gambling and speculation. Some of the popular gambling avenues are: betting on cricket, football or horse racing, the outcome of an event, such as a lottery, casino games, or a simple toss of a coin. These events do not have a risk element: that is, cricket is a sport that will be enjoyed irrespective of who wins. At best, if the home team loses,

the crowd may get disappointed. A spectator will not lose money, merely watching the game. But if he bets on the result of the game by putting down his capital, a risk element gets created. So, there is no risk per se with the event, but betting imputes the risk.



Now let us look at share investments. When we have cash, there is always risk -- of devaluation if we keep the cash idle, or it being stolen. The volatility in the markets is also a reason cited for regarding shares an unreliable form of investment. People point out that markets fluctuate every day, and that ignorance and fear of loss of capital hold them back. But volatility should be looked upon as an opportunity. If the market is not volatile, there'd be no opportunity to make money. When the market goes up, there is the opportunity to sell, and when it comes down, the opportunity to buy.

The other argument of investors is: I buy high and sell low and lose money all the time. In order to make money on the market there has to be a long-term engagement with the stock markets. Typically, people who say that they bought high and sold low are those who enter the market at the peak of a bull run because they feel left out when this is building up

Soon after, they are left with high-priced stocks, patience runs out and they dispose of them at whatever price they get and take 'sanyas' from the market. It is necessary to be constantly in touch with the markets to understand their ups and downs and ride the wave to make money.

The markets are unpredictable also because of operator activity and price rigging, a characteristic of gambling, say disillusioned investors. But there are going to be undesirable elements in every market. We have to define our area of operation and guard ourselves against such risks, which can be done by restricting our activity to A and B1 group stocks only, which are highly liquid, and not prone to manipulation. Going in for low capital and T2T items has a higher probability of price increase, along with the appended risk of these being prone to price manipulation. These shares have a low

capital base; hence, it takes very little cash to rig the prices in the desired direction. After every bull run investors are stranded with stocks that have no liquidity, company addresses that are untraceable and other allied reasons that render the share worthless. This happens because stocks are not bought on merit but on rumours of operator activity.

To conclude, financial planning is a must for every family. It involves building up a portfolio of investments in various instruments that not only meet your needs of cash liquidity but also acts as an earning partner. For we mistakenly assume that we are the sole earning members of the family while ignoring the contribution that wise investments can make in sharing the load. A little time devoted to financial planning can reduce the burden manifold. Understanding the suitability of each avenue in the right perspective can go a long way in enhancing the returns on your portfolio. Spent by near and dear ones, of investing in low-return options, which we term 'loss of opportunity'. Hence, by investing the cash, we are trying to minimize the risk already present and get a higher return by identifying better-income avenues. There is no creation of risk.

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

E-mail : acmiil@acm.co.in
Group Website : www.nucleusindia.com
Online Trading Portal : www.asitmehta.com

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Edited by Deena Mehta, Managing Director,

Asit C. Mehta Investment Intermediates Ltd. E-mail: damehta@acm.co.in

Registered Office :

Nucleus House, 5th floor, Saki Vihar Road, Andheri (E),
Mumbai - 400072. India • Tel.: 022-2857 7898 or 2857 7614/15/16
Fax: 022-2857 7647

Corporate Office :

67, Poddar Chambers, 3rd Floor, 109, S. A. Brelvi Road,
Fort, Mumbai - 400 001. India • Tel.: 022-2270 0115, 2265 1540
Fax: 022-2270 0124