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Guest Lecture on "Stock and Currency Trading"

Title	Guest Lecture on Stock and Currency Trading for the students of BBA, Department of Management Studies
Date	March 15, 2018
Resource Person/Facilitator	Mr. Anshul Ravinder Bhatia, Assistant Team Lead – Cvent
Summary	For traditional buy-and-hold, "long only" investors, stocks remain an obvious choice for a number of reasons. Stocks have a long-term record of positive returns; investors can receive regular income from dividends; dividends and capital gains have favorable taxation, and so on. But when it comes to trading, even though the odds are still stacked in favor of stocks, forex trading has a number of advantages to offer. Mr. Bhatia, speaker for the day, briefed the students about 10 factors that should be considered when deciding whether to trade forex or stocks. 1. **Technical or fundamental analysis**: Forex trading is heavily geared towards technical analysis, which many stock traders consider to be only one factor in their investments, as they also need to examine market and stock fundamentals. If determining intrinsic value and using relative valuations are central to your trading strategy, you should probably stick with stocks. But if your strengths include charting and analyzing technical patterns, you could have better luck with forex trading than the average neophyte. 2. **Leverage**: Forex is another world when it comes to leverage. Can you handle leverage of as much as 50:1 levels, which are available for forex trading, compared with only 2:1 for trading stocks? Excessive leverage can magnify returns when your trades are working out but it also could wipe out your trading capital in minutes. If you're unsure about your ability to handle leverage, do yourself a favor and eschew forex trading. 3. **Discipline**: Do you have the trading discipline to cut your losses (and conversely, let your winners run)? For example, do you take prompt action when a trading position is going horribly wrong? Are you able to walk away after a bad trading day and not try to make back your losses in an hour of frenetic trading? Trading discipline is essential to forex trading because of the potential for magnified losses through leverage. In stock trading, your losses are generally

restricted to the amount you invested. Even if you lose more than your initial investment because you're heavily margined, such losses are unlikely to ever be 50 times your original investment, a fate theoretically possible in margined forex trading.

4. **Bearish bets**: Forex trading makes it simple to take a bearish bet on a currency. If you think the Japanese yen is headed lower against the dollar, all you have to do is sell JPY vs. USD in the forex market. Shorting individual stocks is a bit more complicated, although it's easier to take a short position on equity indices through inverse exchange-traded funds.
5. **Number of positions**: Forex trading involves a limited number of currencies. According to the Bank for International Settlements' 2013 forex survey, the top four most-traded currencies accounted for over 75% of the average daily forex trading turnover of US$5.3 trillion per day. Add in three other major currencies – the Australian dollar, Swiss franc and Canadian dollar – and a forex trader only has to watch less than 10 major currency pairs. (By contrast, a stock trader has a choice of more than 3,000 stocks (using the Russell 3000 as the investable universe) in the U.S. alone.
6. **Trading spreads**: Forex trading spreads tend to be tighter than those of stocks because of the forex market's depth. The abundant liquidity and tight spreads makes it easy to get in and out of forex trades quickly. Compare that to stock trades, where liquidity may be a constraint and bid-ask spreads are wider.
7. **Trading window**: Is your primary trading window during the day or evening? For those who have a day job, trading during regular business hours isn't feasible. So if you really have a desire to trade, forex trading is an appealing alternative because it's open virtually 24 hours a day.
8. **News impact**: Do you tend to concentrate on the big picture and analyze macroeconomic news, or do you prefer digging into individual companies and sectors? Currencies react more directly to macroeconomic news and economic data than individual stocks.
9. **Risk tolerance**: Your risk tolerance is a huge consideration when deciding whether to trade forex or stocks. Simply put: if you have a low risk tolerance, steer clear of forex trading. Trading stocks has its share of risks but at least you can mitigate risk in that sector by sticking to the biggest and most liquid blue-chips.
10. **Managing downside risk**: Managing downside risk is often more important in forex trading than in stock trading. You will need to understand the various types of orders that can be put through the trading system and also should be able to implement hedging strategies.

The lecture delivered was appreciated and enjoyed by the students. It enabled them to understand the concept of Stock and Currency Trading. The speaker addressed queries of the students wonderfully and gave his concluding observation on Stock and Currency Trading.