

BRIEF CONTENTS

	Introduction	2	
CHAPTER 1	Essentials of Stock Market Investing	22	
CHAPTER 2	Investing in Stocks	60	
CHAPTER 3	Investing in Stocks—the EPS Approach	88	
CHAPTER 4	The Most Important Stock-Related Issues	120	
CHAPTER 5	Traits of the Successful Stock Investor	152	
CHAPTER 6	Stocks vs. Other Investment Vehicles	170	
CHAPTER 7	Money Management	182	
CHAPTER 8	Stock Market Crises	218	
	Index	239	

(



CONTENTS

Introduction	2
The Conspiracy against Employees	
What People <i>Generally</i> Say about Stocks	6
Why You Should Buy Stocks	9
Your First Stock-Buying Experience	12
Stocks as the Symbol of Capitalism	12
About Me and about the Book	14
Whom the Book Is Meant for	17
Overview	18
CHAPTER 1 Essentials of Stock Market	t
Investing	22
Common Stocks and the Stock Market	23
Bulls and Bears	26
Stock Index	27
Ups and Downs of Shares	28
Market Sentiment	30
Trading in the Stock Market	31
Placing Orders	33
Market Participants	36
Promoter	38
Insiders	39
Dividends	41
Face Value/Book Value	43
Voting Rights	43 44
Bonus/Rights/Split	
Share Buyback	
Delisting/Suspension	
Blue Chip Shares	
Shareholding Pattern	
Mutual Fund	







Contents	v
Exchange-Traded Fund (ETF)	53
Market Regulator	
Investor Relations	
Standalone/Consolidated Results	54
Market Capitalization	55
Advance–Decline Ratio	56
Preference Stock	56
Follow-On Public Offer	57
Annual Report	57
CHAPTER 2 Investing in Stocks	60
Please Don't Invest in the "Market"	64
Your Stock Strategy	64
Traditional Styles of Investing	66
Index Investing	69
Fundamental and Technical Analyses	70
Financial Statements and Parameters	75
Operating Profits	77
Cash Flows	
Financial Ratios	
How to Analyze Companies—Simplified	
Fundamental Analysis	81
A Quick Method to Find Buying and Selling Prices	86
CHAPTER 3 Investing in Stocks—the EPS	
Approach	88
What Stock to Buy	93
The Right Buying Price	101
The Right Selling Price	105
Tracking the Performance of Your Stocks	108
Whatever Can Go Wrong	
EPS Stops Growing	
Earnings Growth Rate Adjusts Downward	
Diminishing Margins	
Recent Quarterly Results Show a Loss	
Negative Margins	





vi



Contents

Negative Sentiment about the Stock + Si	nking
Earnings	115
Miscellaneous Problems	
A General Note	117
CHAPTER 4 The Most Important Stock-Related Issues	120
	121
Diversify or Not to Diversify Money Allocation Rules	121
Buying/Selling Shares	125
The Market Is Going Up. Should I Buy S.	
The Stock Is Going Nowhere	126
Measuring Returns	127
Unreasonable Expectations	129
Stock Performance—YoY and QoQ	130
Pricing Shares on the Basis of Future Earning	
Earnings Dilution	131
Adjusting Earnings for Bonus and Splits	132
Shares to Avoid	135
Derivatives	136
Stocks and Economics	137
Stocks and Mathematics	138
Stocks and Luck	138
Stocks and Greed	139
Stock Trading	139
Short Selling	141
Stop Loss	141
Beta	141
Margin Funding	142
Systematic Investment Plan (SIP)	143
Defensives	144
Investing in IPOs	144
The Financial Community	145
Stock Targets	147
52-Week High/Low	148
Buy it. Shut it. Forget it.	149









	Contents	vii
CHAPTER 5	Traits of the Successful Stock	
	Investor	152
Independent	Decision Making	156
Sticking to Your Guns		158
Taking Initiatives		160
Being Comfortable with Money		161
Faith		163
•	ep Learning and Experimenting	164
Tolerance for	r Pain	165
Balance		166
Money Mana	agement	167
Risk Taking		167
CHAPTER 6	Stocks vs. Other Investment	
	Vehicles	170
Stocks vs. the	e Shoebox	171
	onds and Bank Deposits	172
Stocks vs. Co	<u> •</u>	173
Stocks vs. Go	old and Silver	176
Stocks vs. Re	al Estate	178
Stocks vs. Fo	reign Exchange	180
CHAPTER 7	Money Management	182
	our Feelings about Money	184 184
•	Is the Cause of All Evils Is Not Important; Love, Family,	104
•	endship Are	185
	ng Money Requires Time	185
-	No Interest in Managing Money	186
	No Talent of Managing Money	186
	use or My Father Manages	100
	in My Family	186
•	ill Take Care of My Financial Well-Being	189
	or the Present; I Don't Care about the Future	189
	re You to Tell Me Anything?	
	Money in the End	189





viii

Contents

Money Is Meant to Be Spent. What Else	
Is It Meant for?	190
I Love My Family and I Want to Get It Whatever	
It Wants—Now	190
I Am Not Stingy. I Deserve the Best	191
I Am Happy with My Financial Status	192
I Don't Have Money	192
Financial Discipline and Tactics	192
Save before You Spend	193
Budgeting	196
Managing Debt	196
Tax Saving	202
Lavish Expenditure	205
Bargaining	207
Compounding	208
Simplicity	209
Educating Yourself on Money	210
The Simplest Way to Have More Money:	
Earn More Money	210
The Mistake	212
Your Holding Company: Getting Disciplined	
with the Money You Make in Stocks	215
CHAPTER 8 Stock Market Crises	218
What Causes Crashes?	220
The Common Thread	221
Busts Are Often Preceded by Booms	221
During Crashes, Stocks Are Punished beyond Reason	222
Market Crashes Bring with Them Great	
Opportunities	222
Market Declines Have No Biases	223
The Financial Community Always Rationalizes	
the Crash <i>after</i> It Has Happened	224
The Financial Community Is Obsessed	
with the Latest Crash and with Crashes in General	224
Market Crashes Don't Last Forever	225
Crashes Are a Part and Parcel of the Stock Market	225









Contents	ix
Major Stock Market Crashes	226
The Crisis of 2008	226
The Dot-Com Bubble	227
The Asian Crisis of 1997	229
The Russian Financial Crisis of 1998	230
The Great Depression	231
John Law and the Mississippi Company	232
The Tulip Mania	234
Crises in the Indian Markets	235
Index	239



