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A STUDY INTO THE VARIOUS STRATEGIES IMPLEMENTED BY INTRADAY EQUITY MARKET TRADERS

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Abstract
Buying and selling stocks and other financial instruments during the same day is known as intraday trading, or day trading. Stated differently, intraday trading occurs when all positions are settled before the market closes and the trades do not result in a change in the ownership of any shares. The benefit of intraday trading is that should one predict a decline in the instrument's price, they can also short-sell the instruments to settle the trade by the end of the day. When trading positions, this is not feasible. Since they can see the money at the end of the day, many individuals are switching from positional to intraday trading.
Until recently, day traders were thought to be the exclusive purview of financial institutions and experienced traders. However, with the rise in popularity of leverage trading and electronic trading, this has changed. This study attempts to investigate and provide three such successful tactics that can be utilized for intraday trading primarily in stocks, futures, and options. While many individuals and organizations have adopted many strategies to boost their profitability in day trading, this study focuses on these three strategies. Its goal is to provide entry and exit positions for traders who have a favourable risk-to-reward ratio.
Keywords: Intraday trading, Short sell, Strategies, Stocks, Futures and Options, Margin, Risk to reward ratio.

I. Introduction

Buying and selling stocks on the same trading day is known as intraday trading. Day trading is another name for intraday trading. Intraday traders attempt to profit from these price swings by purchasing and selling shares on the same trading day. Share prices fluctuate throughout the day. In the stock market, there are numerous trading chances all day long due to the constant fluctuations in stock values. These price changes are a reflection of how investors are feeling about the company's shares.
Stock prices move during the day in response to shifts in supply and demand. Put simply, a scrip's price increases when demand outpaces supply, and a more marked difference between the two leads to an even higher price. Buying and selling stocks during the same trading day is known as intraday trading.

In this case, stocks are bought to profit from stock and index movement rather than to invest. Therefore, to profit from stock trading, the price movements of the shares are tracked. Proper timing of the day, which involves entering and exiting at the appropriate times, is essential for successful intraday trading. To place a trade, one must have a thorough understanding of the intraday trading window. Here's when choosing the appropriate course of action is important. By following a predetermined plan, a trader can end up with respectable returns on his investment. But it's also fraught with the stock market's inherent hazards, which is where the stop loss point also comes into play.

But there are also unavoidable hazards associated with the stock market, which is why the stop loss threshold is so important. Since, indeed, you can't foresee or time the markets, these tactics are meant to increase your success ratio as opposed to the tips-based or blind game approaches used by most traders.

II. Review of Literature

Abdul Rahim (2013) outlined how SEBI and NSE are related in his research paper "Problems and Prospects of Online Share Trading Practices in India, International Journal of Marketing, Financial Services and Management Research." In compliance with SEBI regulations, NSE has introduced online securities trading. He also covered the benefits of investing over a longer time horizon in stocks or equity-oriented mutual funds in his research. His study, "Benefits and Drawbacks of Online Trading,"

Petric Loana Ancuta (2015) explains that to direct their marketing campaign and draw in more investors for their online platforms, financial services and investment firms should consider other factors that impact the decision to switch from traditional to online trading. Furthermore, he claims that investors will switch to online trading if they have a lot of experience with the stock market, are more educated, and are computer literate. In his study "Impact of Internet Growth on the Online Stock Trading in India,"

Dr Sarika Srivastava (2016) observes that customers are no longer limited by geography and have a greater understanding of financial products and services thanks to the Internet. The primary objective of this research paper is to investigate the impact of Internet expansion on stock market transactions. The study also covers the state of online trading at the moment in India, specifically the size of the online trading market there. In his 2017 essay "Analysis: Demat Account and Online Trading," Professor Aadil Bade explored the topic of Demat accounts and online trading. The article was published in the Scholarly Research Journal for Interdisciplinary Studies. He asserted that India is still in the early stages of internet trading. The impact on market liquidity is typically the main focus of tick size research (He asserted that India is still in the early stages of internet trading. Most of the research on tick size has been done on how it affects market liquidity (Ahn et al., 1996; Bacidore, 1997; Bessembinder, 2000; Goldstein and Kavajecz, 2000; Chung et al., 2004).

III. Objectives of Study

1. To study the concept of intraday trading.
2. To examine the Causes of Intraday Stock Market Losses for Traders

3. To determine the strategies applied by intraday traders in intraday trading for seeking definite profits.
4. To review leverage trading and electronic trading.

IV. Causes of Intraday Stock Market Losses for Traders:

About 80–85% of intraday traders are thought to lose money on the stock markets. Typically, 90% of intraday traders fail during the first year and 70% fail within the third. Why do intraday traders regularly lose money, and what is the cause of this phenomenon? The same is due to seven main factors.

Absence of discipline in trading

In the intraday trading app, this is the main cause of trading losses. Three areas need to be the focus of trading discipline. To start with, you need a trading book to help you with your everyday trading. Second, you should only ever trade with a stop loss. Thirdly, you must continue to record profits regularly. Intraday trading losses occur when any of these pillars of disciplined trading are undermined. Because your main goal as an intraday trader must be to safeguard your capital and minimize your losses, trading discipline is essential.

The market is experiencing too much panic.

Panic is one of the main causes of intraday trading losses for traders. When you panic in the stock market, you are supporting the trader who is not panicking. The trader who panics always loses money compared to the trader who remains calm. In intraday trading, panic often leads to premature position closing. For intraday trading, you need to have a minimal appetite for risk, but you should control your risk. The most important thing to remember is not to lose hope just because the market appears to be volatile.

Trading contrary to the market

Long-term investors may benefit from holding a position that differs from the market. However, traders need to make sure they consistently remain on one side of the market. The great stock trader Jesse Livermore once stated, "There is only the right side in trading—there are no bull or bear sides."â€§ For traders, momentum is on the right side. Never try to outwit the market; instead, trade on the side of momentum at all times. That is a surefire way to lose money when trading intraday.

No trading capital restrictions

Especially when you are trading intraday, this is a crucial component of your trading discipline. You must choose several thresholds for your maximum loss. There has to be a stop loss on every deal. Loss caps need to be established for each trading day. You should use self-control and close your trading terminal for the remainder of the day if losses occur within the first hour. Establish a maximum amount of money that you will lose before you decide to start again and revise your entire trading plan. This serves as your protection against losing trades.

Seeking quick loss recovery

This is a typical issue that many intraday traders face. In an attempt to make up for a loss, they either try to average their position or they try to trade too aggressively. This can only result in further losses. A loss indicates that the trade was incorrect. By averaging or overtrading, you are simply making two mistakes. Limits are set and carefully followed because losses are an inevitable aspect of trading.

Depending on trading advice

How and which stocks to trade provides a significant difficulty for intraday traders. Although brokers do give their clients trading ideas, traders frequently also turn to outside sources for trading advice. It is advisable to stay away from that. The greatest strategy for intraday trading is to progressively become an expert chart reader, news flow interpreter, and independent trader. Though it takes time, learning to trade independently and systematically is the only option available.

Inadequate feedback mechanism

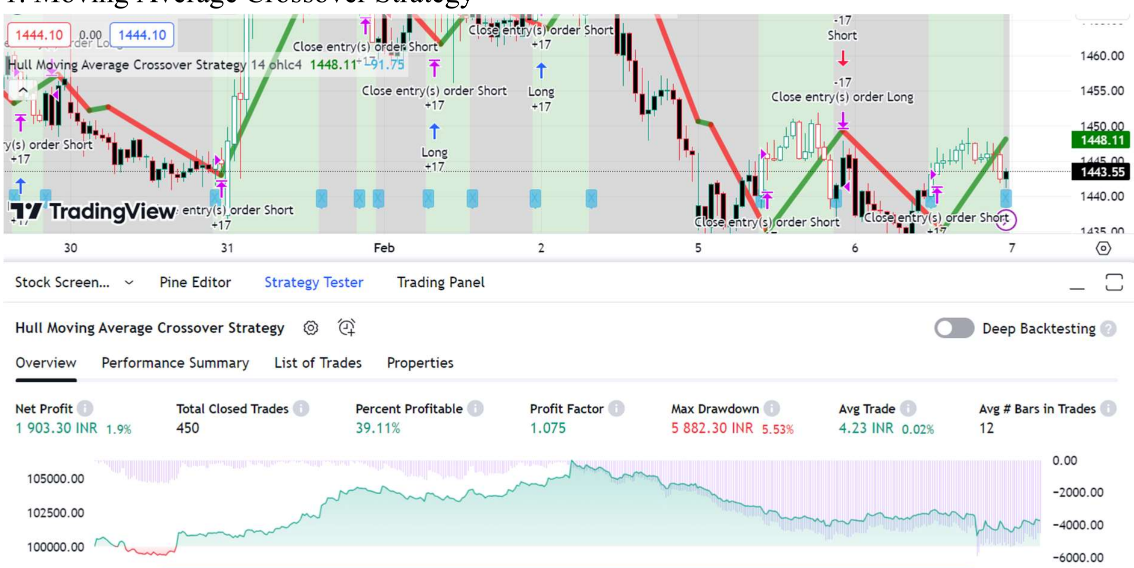
Ensuring the completion of the input cycle and learning process is a crucial stage in intraday trading. A trading journal that records deals, trade justifications, and trade reviews every night is ideally required of intraday traders. This will serve as a foundational guide for the on-going education of intraday traders.

V. Intraday Trading Strategies

Accurate timing and knowledge of the market are essential for intraday trading. Only after technical analysis, realistic execution, indicator use, and appropriate risk management can a successful intraday trading strategy be implemented. Thus, we'll discuss intraday trading strategies here. Novice traders can begin trading with this strategy.

It is possible to become an expert at this with consistent practice. To avoid losing money when trading intraday, you should use stop-loss limits to cushion your risk. You must determine which trading style best fits your needs and personality. This is a collection of profitable trading techniques used in India.

1. Moving Average Crossover Strategy



Source: Trading view

When two distinct moving average lines cross over one another, this is known as a moving average crossover. A moving average crossover is a technical instrument that can assist you in determining when to enter and exit the market.

Moving averages are trailing indicators, thus precise tops and bottoms may not be captured using the crossover strategy. However, it can aid in determining the majority of a trend.

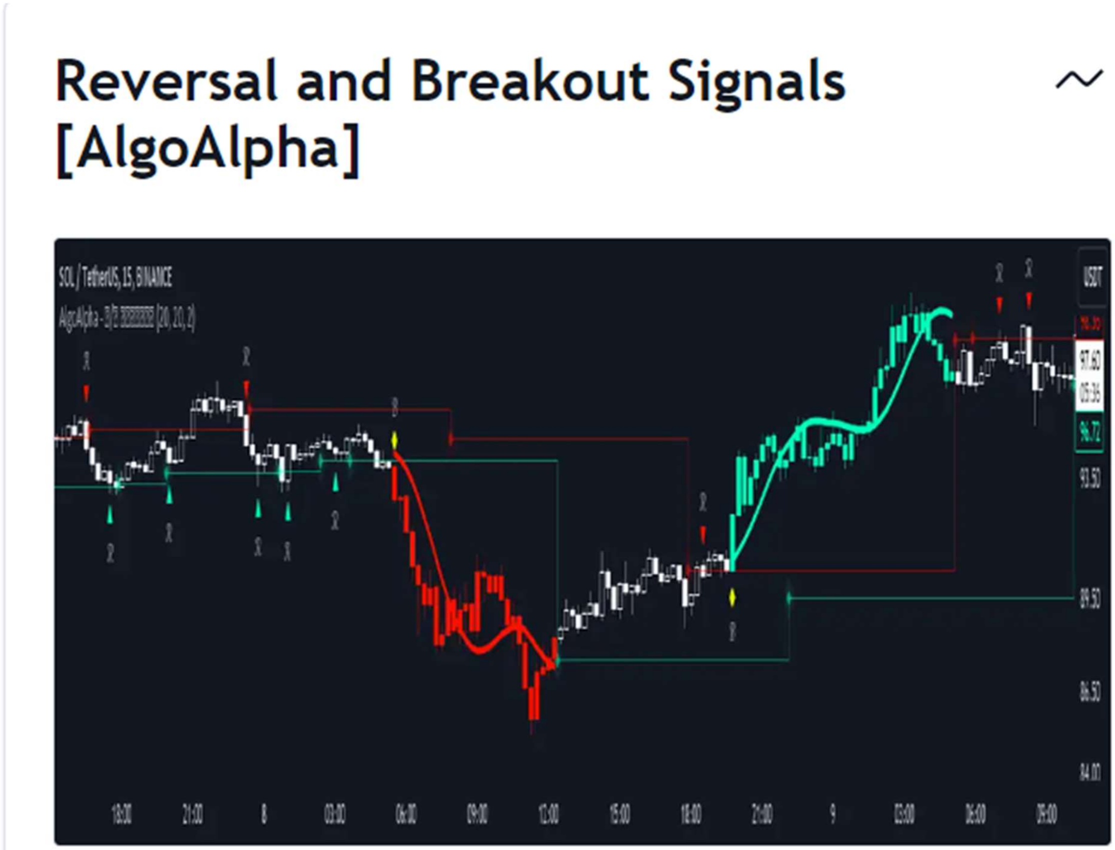
If the moving averages cross over one another, it may indicate that a shift in trend is imminent, which could present an opportunity for a better entry.

A crossover method does not perform as well when prices are ranging, even though it performs admirably in a volatile and/or trending market.

Certain triggers are provided by the crossover system for possible entry and exit points.

In conclusion, moving average crossovers can be used to predict when a trend may be beginning or ending.

2. Reversal Trading Strategy



Pull Back Trading is another name for Reversal Trading. Using this tactic, one may put money on stocks that are trending against their price in the hopes that they will "reverse."

Traders that use the reverse intraday trading method seek out equities that are trading at extreme highs and lows. They stand a decent chance of reversing course. A stop is signalled as soon as the security's movement reverses, and traders wait for the securities to reach their maximum fluctuation. When the reverse value reaches the trader's projected limit, a trade is conducted.

A reversal in trading is a shift in the price of an asset's direction. Both day traders and long-term investors utilize the trend reversal trading approach to decide whether to enter or exit a market.

3. Momentum Trading Strategy:

Source: Trading view

Using the strength of price fluctuations as a foundation for opening positions is known as momentum trading. Finding moving stocks that exhibit daily swings is the foundation of intraday trading methods. Approximately 25–35% of stocks exhibit volatility. Momentum is the term used to describe this variation. These stocks are located using stock scanners.

It is predicated on the notion that a price change will persist in its current direction provided sufficient force is applied. An item typically draws greater interest from traders and investors when its price rises, which raises the market price even further.

This goes on until a significant number of sellers enter the market, sometimes as a result of an unanticipated circumstance that makes them reconsider the asset's asking price. When there are sufficient sellers in the market, the momentum shifts and drives the price of an asset down.

These stocks tend to move above the Moving Average without any resistance in high volume.

Momentum in the stocks can be created by a catalyst like earnings but it can also be generated without any fundamental backup. This is called a technical breakout.

In momentum trading strategy the traders try to pick up those stocks that move in a single direction in high volume. The profit-to-loss ratio in the momentum trading strategy is 2:1.

A trader can hold the stocks for minutes days or hours depending upon the rate of movement of the stocks.

Momentum strategy works best during early trading hours or when the volume is high. If you are alert during opening trading hours, you can make a good amount of wealth through this strategy.

4. Gap and Go Trading Strategy

Source: Trading View

When there is a gap up, the stock price opens higher than it did at the previous close. On the other hand, a gap down indicates that the stock price opens below the previous close.
Gapers are the main target of this intraday trading approach. On a stock chart, gappers are the areas where no trades have been performed. Gapers are the term for these spots. These pauses may arise from several things, such as a spike in news, an announcement of earnings, or a modification in the trader's trading approach.
The gap and go method is applied when a stock opens higher than its closing price from the prior day. The most popular method for successfully engaging in gap trading is to use a pre-market scanner to find equities with premarket volume.
Among day traders, this trading approach is highly favoured. Several gapping stocks hit the pre-market scanners every morning.

5. Bull Flag Trading Strategy

Source: Trading view

A continuation chart pattern that makes it easier for the upswing to continue is the bull flag pattern. Before breaking out and carrying on the upswing, the price action consolidates within the two parallel trend lines in the opposite direction of the uptrend.

A bull flag, as its name implies, is a bullish pattern, in contrast to a bear flag, which appears during a downtrend.

When there is a significant price movement in one direction, a flagpole is produced. The stocks advance when the resistance line breaks, initiating a new movement. At first, the bull flags are aggressive. This is because it triggers a breakout and blind side the bear.

A bull flag indicates a significant price advance in one direction, followed by a pullback that creates a pattern of parallel highs and lows. The creation of the upper and lower lines, as well as the bull flag, requires a long period.

6. Pull-back trading strategy

Source: Trading view

A situation known as a pullback occurs when there is a movement against a long-term trend. By using the pullback method, the trader avoids losing money when following the trend.

When trading stocks that are very strong and trading at a high relative volume, one strategy to use is the pull-back trading strategy.

A trend reversal should not be mistaken for a downturn. It's been suggested that the pullback technique involves selling strengths and buying weaknesses. It is a good idea to purchase a pullback just after the breakout.

Pullbacks typically last for a few trading days, but a reversal may indicate a total shift in the mentality of the market.

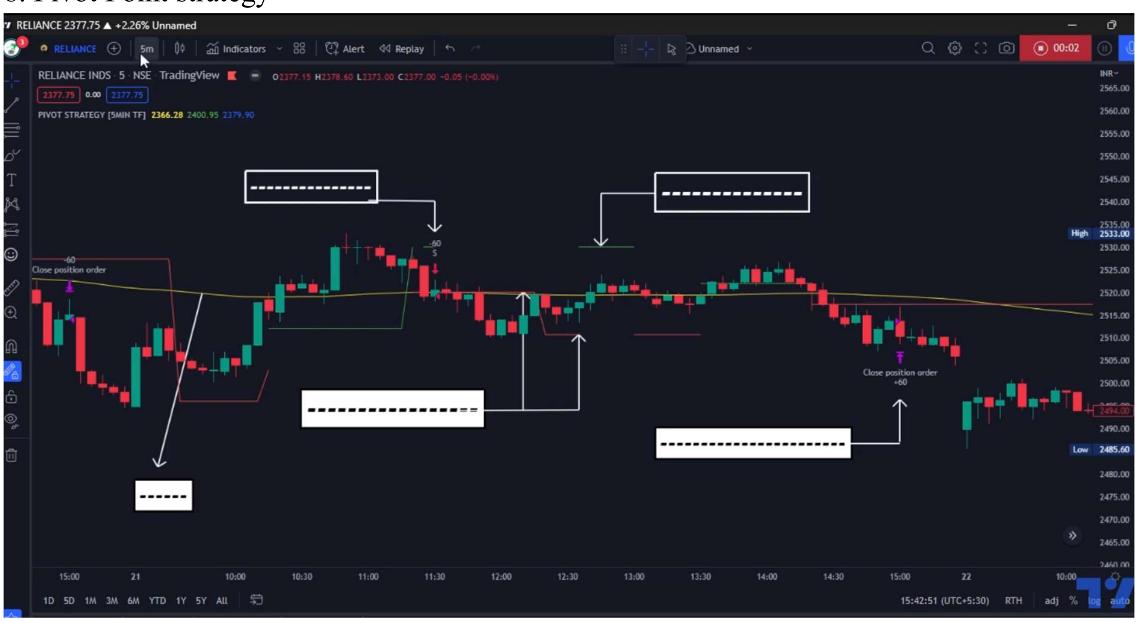
7. Breakout Trading Strategy

Source: Trading view

A trader using a breakout market technique enters the market when the price breaks through its own support and resistance levels. Traders use volume as a technical indicator to look for patterns in the market. Breakouts require rapid entry and departure. There is no waiting involved.

Before waiting for the breakout, the traders determine the price level of the breakout. Because there won't be any leftover for purchases when the breakout ends, this is a dangerous trading strategy

8. Pivot Point strategy



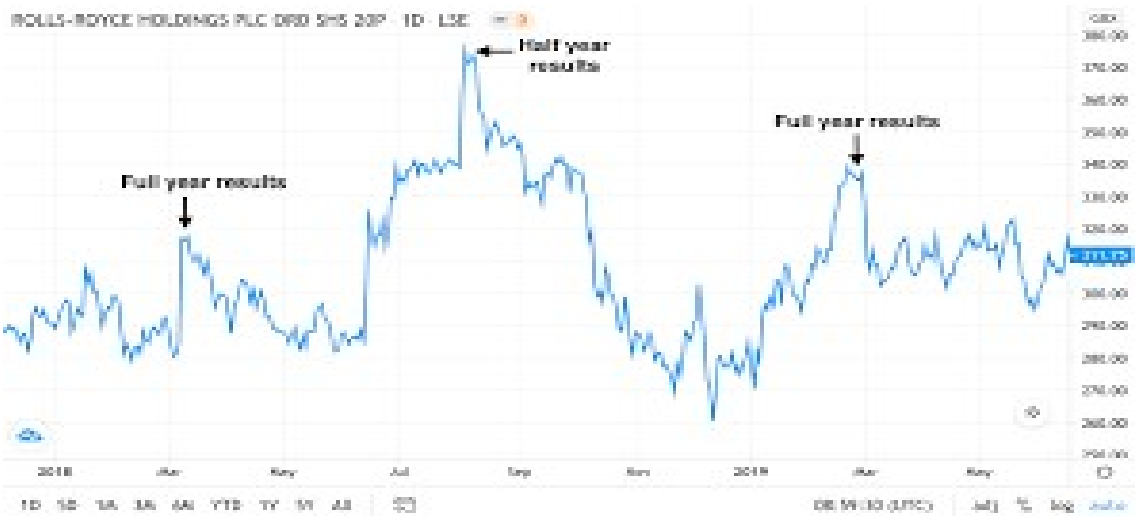
In situations with important support and resistance levels, a pivot point method can be useful. The FX market is a good place for this method. While breakout traders may comprehend breakout levels, range-bound traders can use it as an entry approach.

A turning point in the market's attitude is when it shifts from being bullish to being pessimistic. Additionally true is the opposite. The market typically anticipates that the price will move to the second level if it breaks through the first level of support or resistance.

Pivot points are therefore useful instruments that many experts employ to predict the next direction that the price will travel. Take-profit and stop-loss locations are also found using them.

Pivot points are useful tools that can assist you in determining possible regions of resistance and support. The majority of experienced day traders use them.

9. CFD Strategy



Trading intraday is very demanding, and making money takes a great deal of understanding. However, trader-friendly and user-friendly tools like CFD are available. The difference between a trade's entry and exit points is referred to as the CFD.

Contracts for difference, or CFDs, are derivative products that let you make predictions on a variety of international markets, including shares, indices, commodities, and currency, without having to own the underlying asset.

Since CFDs are a leveraged product, you can open a position with just a little down payment, or "margin," to start trading.

Here Leverage can increase profits, but it can also increase losses, even losses that exceed deposits for individual positions. Your profit and loss are determined based on the entire amount of your position.

Although trading CFDs has some risk, you can get a substantial edge and lower your risk by investing time in expanding your knowledge.

10. Scalping Strategy

A well-known tactic in the Forex market is scalping. This approach concentrates on small price fluctuations. Due to the short trading period, timing accuracy is essential. It's a tactic focused on taking risks.

The scalping technique is a trading method that ensures you make tiny profits from modest price fluctuations so you can make larger ones when the advantageous periods arrive or by building up the advantages.

The plan is to make sure that little, low-risk investments are made to reap larger rewards in the future. This means that rather than being a one-time great win, this method makes good use of the snowball effect.

VI. Leverage trading and Margin trading a boon for intraday traders

Leverage Trading: Margin trading is another name for leverage trading. A technique called leverage trading enables traders to manage bigger positions with less money. It applies to a wide range of financial markets, such as ETFs, stocks, indexes, currency, and commodities.

Leverage trades allow investors to increase their profits through margin, options, or futures accounts; on the other hand, firms utilize leverage trades to fund assets by using debt financing to invest in many large activities and raise stock valuations.

The ratio of money invested to money that can be traded after taking on debt is commonly known as the leverage trade.

As a result, if someone spends RS 1,000 for every 100,000 in increments, the leverage is 1:100. But, there's a possibility that the potential losses will increase; if the deal ends badly, the borrower will lose a huge portion of their loan.

Margin Trading: The real difference between the total value of the assets held in a margin account and the loan amount asked of a broker to complete a trade is known as margin.

The process of using a person's asset to obtain a loan from a broker is known as margin trading. The money earned is then put to use through trading.

To purchase on margin, an investor must first make a small initial deposit and open a margin account. This amount, known as the minimal margin, serves as the leverage.
The initial margin is the total amount invested in the trade, while the maintenance margin is the amount of money held in the margin account.
If the total amount is less than the value, the broker will issue a margin call, in which they will either demand additional deposits, use any remaining funds to repay the entire loan or liquidate the investment.

VII. Conclusion

Choosing stocks for intraday trading is a critical skill for day traders to have to be successful. People frequently lose money on their trades because they don't choose the right stocks to trade. Improper management of day trading can have a significant impact on consumers' financial health. Therefore, traders can reduce risk and increase returns by using the following intraday trading methods and recommendations.
Extension of this study: This work can be extended in a number of ways. Examining liquid stocks or their portfolios is one approach. While sticking with E-mini futures, one might look into the overnight actions. Global market connections could potentially be used in such an analysis.

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