CHART CODE ACADEMY

Decode The Market Code

MARKET PARTICIPANTS

WHO REALLY MOVES PRICES

FIIs, DIIs, retail traders, promoters, market makers and SEBI — a complete guide to who is actually on the other side of every trade you place, and what their behaviour really means for you.

A FREE STUDY RESOURCE BY CHART CODE

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About This Guide

A stock chart shows price and volume, but it never tells you who was actually behind each trade. This guide fills that gap: it profiles every major type of participant in the Indian stock market — retail investors, FIIs, DIIs, proprietary traders and market makers, promoters and insiders, brokers, and the regulator, SEBI — and explains how each one tends to behave and why.

It then brings the pieces together: how these groups interact as one ecosystem, how to read the daily FII/DII data responsibly, common myths worth unlearning, and a practical set of takeaways for what all of this actually means for you as a retail trader.

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Why "Who's Trading" Matters More Than You Think

When a beginner looks at a falling stock, the natural question is "why is this going down?" A more useful question, and one experienced traders ask instinctively, is "**who** is selling, and why would they be selling right now?" A stock dropping because a handful of retail traders are booking small profits is a very different situation from the same stock dropping because a large institutional investor is exiting an entire position over several days.

The stock market isn't one single crowd of identical people. It's several very different groups — each with different amounts of capital, different time horizons, different information, and different reasons to buy or sell — all placing orders into the same order book at the same time. Understanding who those groups are, and roughly how each one tends to behave, is one of the fastest ways to read a chart with more context than price and volume alone can give you.

> **A USEFUL MENTAL MODEL**
>
> Think of the market less like a single ocean and more like a river fed by several very different streams — a fast, choppy stream of retail sentiment; a slower, heavier stream of institutional money; a thin but constant stream from market makers keeping the water moving; and the riverbanks themselves, set by the regulator. The price is simply where all of that water ends up at any given moment.

Retail Investors — You

Retail Investors & Traders

Retail participants are individuals trading through a broker's app with their own personal capital — everyone from a first-time SIP investor to an active intraday trader. As a group, retail investors have grown into a genuinely significant force in Indian markets over the past decade, driven largely by easier account opening, mobile-first broker apps, and a much younger generation of first-time investors.

What defines retail behaviour as a group is not incompetence — it's structure. Retail money tends to be more reactive to news headlines and social sentiment, more concentrated in smaller-cap and trending stocks, and more prone to entering and exiting positions based on short-term price movement rather than a pre-built thesis. None of that is a character flaw; it's simply what happens when millions of independent decisions, made with partial information and real emotions, aggregate into one data point.

SMALLER TRADE SIZES **SENTIMENT-SENSITIVE** **NO PERFORMANCE-REPORTING PRESSURE** **FULL FLEXIBILITY ON TIMEFRAME**

FIIs — Foreign Institutional Investors

Foreign Institutional Investors

FIIs are overseas entities — global mutual funds, pension funds, sovereign wealth funds, and hedge funds — investing foreign capital into Indian markets. Because they move large sums of money and are highly sensitive to global interest rates, currency movements, and international risk sentiment, their daily net buying or selling figures are published and watched closely as a barometer of how the world views Indian markets at that moment.

FII flows can shift quickly. A change in US interest rate expectations, a geopolitical event, or a stronger dollar can trigger FII selling across emerging markets broadly — not because anything changed about the Indian companies themselves, but because the global calculus for holding emerging-market risk changed. This is exactly why a market can fall on days when there's no obvious "bad news" about India specifically.

LARGE CAPITAL, LARGE IMPACT **GLOBALLY SENSITIVE** **PUBLISHED DAILY BY EXCHANGES** **SENTIMENT BAROMETER**

DIIs — Domestic Institutional Investors

Domestic Institutional Investors

DIIs are Indian institutions — mutual fund houses, insurance companies (most notably LIC), banks, and pension funds — investing money raised domestically, largely from Indian households through mutual fund SIPs, insurance premiums, and pension contributions. Because a large share of this money arrives on a fixed monthly schedule regardless of what the market is doing that day, DII buying tends to be steadier and less reactive than FII flows.

This steadiness is exactly why DIIs are often described as a stabilising counterweight to FIIs. When foreign investors are pulling money out during a period of global risk-aversion, consistent domestic SIP inflows can cushion the fall — a dynamic that has visibly changed the character of Indian market corrections over the past several years compared to earlier decades, when the market leaned much more heavily on foreign flows alone.

STEADIER, SCHEDULED INFLOWS FUNDED BY SIPS & INSURANCE OFTEN A STABILISING FORCE PUBLISHED DAILY BY EXCHANGES

Proprietary Traders & Market Makers

Proprietary Trading Firms & Market Makers

These are firms trading with their own capital rather than client money — often using high-speed, systematic strategies to profit from very small, very frequent price movements. A specific sub-category, market makers, exist specifically to keep the order book liquid: they continuously quote both a buy and a sell price for a stock,

profiting from the small bid-ask spread while making sure there's almost always someone on the other side of your order.

You rarely interact with this group directly or even notice them, but their presence is the reason a popular stock's price moves in small, orderly steps instead of jumping unpredictably between trades — they're the quiet infrastructure that keeps liquidity from drying up during a normal trading session.

OWN CAPITAL, NOT CLIENT MONEY HIGH-FREQUENCY, SYSTEMATIC SUPPLIES MARKET LIQUIDITY

Promoters & Insiders

Promoters & Company Insiders

Promoters are the founders and controlling shareholders of a listed company — the people with the deepest knowledge of the business, and typically the largest single block of ownership. Their shareholding percentage, and any change in it, is public information, disclosed to the exchanges on a regular basis.

Because promoters and other company insiders (senior management, board members) have access to information the public doesn't, their trading is tightly regulated. Buying or selling based on material information that hasn't yet been made public is insider trading — a serious offence under SEBI rules, regardless of intent. That's exactly why disclosed promoter transactions are watched closely: rising promoter stakes are often read as quiet confidence, while sustained selling can be a caution flag — though it can just as easily reflect a personal liquidity need unrelated to the business, so it should never be read alone, without checking the company's actual fundamentals.

DEEPEST COMPANY KNOWLEDGE PUBLICLY DISCLOSED HOLDINGS STRICT INSIDER TRADING RULES

Brokers — The Middlemen Who Make It Possible

Brokers

No individual, retail or institutional, can trade directly on an exchange — Indian law requires every order to pass through a SEBI-registered broker. Brokers are the reason your buy or sell button actually reaches the exchange's matching engine, and they're the ones responsible for your KYC and demat account in the first place.

It's worth remembering that your broker is a participant in this ecosystem too — not a neutral pipe. Full-service and discount brokers have different revenue models, different research offerings, and different incentive structures, all of which subtly shape what tools and information you see first when you open the app.

LEGALLY REQUIRED INTERMEDIARY HANDLES KYC & DEMAT

SEBI — The Regulator Overseeing Everyone

SEBI (Securities and Exchange Board of India)

SEBI doesn't trade — but it sets the rules every other participant on this page has to follow: disclosure requirements for promoters, conduct standards for brokers, registration requirements for FIIs, insider trading enforcement, and circuit-breaker rules that pause trading during extreme volatility. It exists specifically to protect the least-informed, least-resourced participant in this entire ecosystem: the individual retail investor.

Every rule that might feel like an inconvenience as a retail trader — mandatory KYC, disclosure delays, position limits in derivatives — exists because an earlier version of the market, with fewer such rules, produced outcomes that hurt small investors specifically. Knowing that SEBI exists as a genuine backstop is part of what makes it reasonable to trust the system enough to participate in it at all.

Putting It All Together: The Full Ecosystem

None of these groups act in isolation — every trade you place is really a small interaction with several of them at once: your order goes through a broker, gets matched against a market maker or another participant's order, and the entire exchange operates inside rules set by the regulator.

Visualising It: Who You're Really Trading With

Every order passes through the same regulated system, but the participant on the other side could be any of these groups.

Reading FII vs DII Data the Right Way

Financial news channels report FII and DII net buying/selling figures every single trading day, and it's tempting to treat that number as a trading signal on its own. It's useful context — but it comes with real limitations worth understanding before you lean on it.

Aspect	FII Flows	DII Flows
Source of capital	Foreign funds, sovereign wealth, global institutions	Domestic mutual funds, insurance, banks, pensions
Typical behaviour	More reactive to global cues, currency, and rate changes	Steadier, driven by scheduled domestic inflows like SIPs
Reporting	Published daily as provisional data, subject to revision	Published daily as provisional data, subject to revision
What it misses	Derivatives positioning, intraday reversals, proprietary flows	Same — it's cash-market equity data only

The most honest way to use this data is as one piece of context, not a trading trigger: a market falling on heavy FII selling with steady DII buying underneath tells a very different story than a market falling with both groups selling together. Context, not conclusions.

Common Myths About Market Participants

MYTH

"FIIs and DIIs always know something you don't."

REALITY

They often have more research resources, but institutional flows are frequently driven by fund mandates, redemptions, and rebalancing — not secret information about your specific stock.

MYTH

"Retail investors can't beat institutions, so why bother?"

REALITY

Institutions face constraints retail doesn't — quarterly performance pressure, market-impact costs on large orders, and mandates restricting what they can hold. Patience is a real retail edge.

MYTH

"Promoter selling always means bad news is coming."

REALITY

It can reflect personal reasons entirely unrelated to the business — funding another venture, estate planning, or diversifying wealth. Check the pattern and the fundamentals together.

MYTH

"Market makers manipulate prices against retail traders."

REALITY

Their business model is the bid-ask spread on huge volume, not directional bets against any one group — they generally want orderly, liquid markets, not chaos.

What This Means for You as a Retail Trader

1. Check FII/DII data for context on market-wide sentiment, but never as a standalone entry or exit signal.
2. Notice promoter shareholding trends when researching a stock — but always read them alongside the company's actual financial results.
3. Remember that your broker has its own incentives — read beyond whatever it highlights first in the app.
4. Lean into the structural advantages you actually have as a retail investor — patience, flexibility, and no redemption pressure — rather than trying to out-speed institutional flow.
5. Trust that SEBI's rules, even the inconvenient ones, exist specifically to protect participants with less capital and less information than institutions — that's you.

Frequently Asked Questions

Q. What is the difference between FII and DII?

FIIs (Foreign Institutional Investors) are overseas funds investing foreign money into Indian markets, while DIIs (Domestic Institutional Investors) are Indian entities like mutual funds, insurance companies and banks investing money raised within India. FII flows tend to be more sensitive to global events and currency movements, while DII flows, especially from mutual fund SIPs, tend to be steadier and often act as a stabilising counterbalance.

Q. Do FII and DII numbers actually predict which way the market will move?

Not reliably on their own. FII/DII net buying or selling is a useful sentiment indicator and worth tracking, but it is provisional data, reported with a lag, and doesn't capture derivatives positioning, proprietary trading, or retail activity. Treat it as one input among several, not a standalone signal to trade on.

Q. Can retail investors compete with institutional investors like FIIs and DIIs?

Yes, but not by trying to out-trade them on speed or information. Retail investors have real structural advantages institutions don't — smaller capital means no market-impact problem, no quarterly performance pressure, and the freedom to hold a genuinely long-term view. The edge is patience and discipline, not access to faster data.

Q. What does it mean when a company's promoter is buying or selling shares?

Promoters are required to disclose their shareholding changes publicly. Promoters increasing their stake is often read as a vote of confidence in the company's future, while sustained promoter selling can be a caution flag — though it can also simply reflect personal liquidity needs, so it should never be read in isolation from the company's actual fundamentals.

Q. Who actually regulates all these market participants in India?

SEBI (the Securities and Exchange Board of India) regulates every participant type — brokers, FIIs, DIIs, promoters, and listed companies themselves — setting disclosure requirements, insider trading rules, and conduct standards to keep the market fair for everyone, including individual retail investors.

Ready to Read the Market Like an Insider?

Understanding who's trading is step one. Learning to read that context on a live chart with a mentor is step two. Chart Code Academy runs structured stock market courses — offline at our Boisar training centre, and live online for students anywhere in India — covering everything from these fundamentals to advanced Technical Analysis, F&O, and Smart Money Concepts.

Get in Touch

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