

CHART CODE ACADEMY

Decode The Market Code

STOCK MARKET BASICS

A COMPLETE BEGINNER'S GUIDE

What the stock market actually is, how NSE and BSE work, how Nifty & Sensex are calculated, and a clear 5-step roadmap to your first trade — written for someone who has never invested a rupee before.

A FREE STUDY RESOURCE BY CHART CODE

Chart Code Academy — Stock Market Training Institute

Deepak Kevadia — Founder & Mentor, BSE NISM Certified

Boisar · Palghar · Maharashtra, India

www.chartcode.in | +91-95121 00588 | chartcode.in@gmail.com

About This Guide

This guide is written for one specific reader: someone who has genuinely never placed a trade, opened a demat account, or read a stock chart before. There is no assumed prior knowledge here — every term is explained the first time it appears, and where you need a deeper definition, this guide points you to our companion Stock Market Terms Glossary.

It covers what the stock market is, how a trade actually happens behind the scenes, the difference between NSE and BSE, how Nifty and Sensex are calculated, who you are really trading against, the difference between equity and derivatives, why prices move, the key numbers you will see on every stock, the most common beginner mistakes, and a practical 5-step roadmap to get started — in that order, building one idea on top of the last.

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What Is the Stock Market, Actually?

Strip away the tickers, the red-and-green candles, and the TV anchors shouting about the Nifty, and the stock market is a surprisingly simple idea: it's a marketplace where small pieces of ownership in real, operating companies are bought and sold. When you buy one share of a company, you genuinely own a tiny fraction of that business — its factories, its brand, its future profits — and your fortunes rise and fall a little with theirs.

Companies need money to grow: to build factories, hire people, or expand into new cities. One way to raise that money is to borrow it as debt. Another is to sell ownership stakes to the public in exchange for cash — that's equity. The stock market is simply the organised, regulated place where that ownership can be bought and sold, second by second, by anyone with a demat account and an internet connection.

> **THINK OF IT LIKE THIS**
>
> Imagine three friends open a small coffee shop and each puts in ₹1,00,000 for a one-third share. If a fourth friend later wants in, they'd buy part of an existing friend's third, at whatever price the two of them agree on. Multiply that coffee shop by thousands of companies, multiply the "friends" by millions of investors, and put the whole thing on an app that matches buyers and sellers instantly — that's the stock market.

How Does the Stock Market Actually Work?

A company that wants to raise money from the public first sells shares through an IPO (Initial Public Offering). Once that's done, the company is "listed," and from that point on, investors trade those shares among themselves on a stock exchange — the company itself isn't involved in day-to-day trading at all; it already got its money during the IPO.

Every time you place a buy or sell order through your broker's app, that order travels to the exchange's matching engine, which is constantly looking for a buyer and seller who agree on a price. When it finds a match, the trade executes instantly, and under India's current T+1 settlement cycle, the shares and funds are credited to your account the next working day.

Visualising It: The Journey of a Trade

From placing an order to owning the shares — what actually happens behind your broker's "Buy" button.

NSE vs BSE — India's Two Stock Exchanges

India has two major stock exchanges, and nearly every large company you've heard of is listed on both. You don't usually choose between them — your broker's app routes your order to whichever exchange offers the better price at that instant, automatically.

Feature	BSE (Bombay Stock Exchange)	NSE (National Stock Exchange)
Established	1875 — Asia's oldest stock exchange	1992, began trading in 1994
Benchmark Index	Sensex (30 companies)	Nifty 50 (50 companies)
Known For	Longest operating history in Asia	Pioneering fully electronic trading in India
Where you'll trade	Available through the same broker app	Available through the same broker app

In practice, the difference matters far more to historians than to a beginner investor. What matters more is understanding the indices each one publishes — which brings us to Nifty and Sensex.

What Are Nifty 50 and Sensex — And How Are They Calculated?

An index is a single number built from a basket of stocks, designed to represent the "mood" of the overall market in one glance. The Nifty 50 tracks 50 of the largest, most liquid companies on the NSE; the Sensex tracks 30 of the largest on the BSE. When you hear "the market is up 400 points today," it means one of these baskets rose.

Both indices are calculated using **free-float market capitalization weighting** — a term that sounds complicated but is fairly intuitive once it's broken down:

- **Market capitalization** is a company's share price multiplied by its total number of shares — its overall market value.
- **Free-float** means only the shares actually available for public trading are counted — shares locked up with founders or the government are excluded.
- **Weighting** means bigger companies move the index more than smaller ones. A 2% move in a giant like Reliance affects the Nifty far more than a 2% move in a small constituent.

This is exactly why the index can be "up" even on a day when more individual stocks fell than rose — a handful of large, heavily-weighted companies can outweigh the rest of the basket combined.

Market Participants — Who Is Actually on the Other Side of Your Trade?

Every time you buy, someone else is selling — and it's rarely another beginner sitting at home. The market is made up of several distinct types of participants, each with different goals, timeframes, and amounts of capital:

- **Retail investors** — individuals like you, trading through a broker app, usually in smaller sizes.
- **FIIs (Foreign Institutional Investors)** — large overseas funds whose daily buying and selling is watched closely as a sentiment gauge for the entire market.
- **DIIs (Domestic Institutional Investors)** — Indian mutual funds, insurance companies and banks, often acting as a stabilising counterweight to FII flows.

- **Brokers & market makers** — the SEBI-registered intermediaries and firms that keep the order book liquid so trades can happen instantly.

Understanding who you're really trading against is one of the most underrated lessons for a beginner — it's a useful dose of humility before risking real capital.

Equity vs Derivatives — Two Very Different Ways to Participate

Most beginners should start, and often stay, in the **equity (cash) market** — simply buying and holding real shares of a company, with no expiry date and no leverage. Your maximum loss is limited to what you invested, and your gains can compound for years.

F&O (Futures & Options) is a separate, far riskier segment where you trade contracts based on an underlying stock or index, often using leverage and always with an expiry date. It can amplify gains, but it can just as easily wipe out capital quickly, and SEBI-published data has repeatedly shown that the large majority of individual F&O traders lose money overall. This page deliberately keeps that segment at arm's length — it deserves its own dedicated, structured learning path, not a beginner's first exposure to the market.

Why Do Stock Prices Actually Move?

At the most basic level, a stock price moves because of a shift in the balance between buyers and sellers — more demand at a given price pushes it up; more supply pushes it down. But what actually shifts that balance? A combination of forces, usually layered on top of each other:

- **Company-specific news** — quarterly results, a new product launch, a leadership change, or a scandal.
- **Sector and economic trends** — interest rate changes, a commodity price swing, or a policy announcement affecting an entire industry.
- **Broader market sentiment** — global cues, FII/DII flows, and simple crowd psychology, which can push prices further than "the fundamentals" alone would justify, in either direction.
- **Liquidity and technical positioning** — large institutional orders, index rebalancing, and expiry-day dynamics in the derivatives segment.

No single explanation is ever the whole story, which is exactly why both fundamental analysis (studying the business) and technical analysis (studying the chart) exist as separate, complementary disciplines.

Key Numbers Every Beginner Should Recognise

You don't need to memorise a textbook of ratios to start, but these five numbers will show up constantly on every stock's page and are worth understanding early. Each links to a fuller definition in our Stock Market Terms Glossary if you want to go deeper.

CMP The Current Market Price — the latest traded price of the stock right now.	**Market Cap** The total value of the company — price × total shares — used to classify large, mid and small-cap stocks.

P/E Ratio Price relative to earnings per share — a quick read on whether a stock looks expensive or cheap versus its profits.	**52-Week High/Low** The highest and lowest price the stock has touched over the past year — useful context for where the current price sits.
Volume The number of shares traded today — see Trading Volume — a rough gauge of how much interest a stock is getting.	

Common Beginner Mistakes to Avoid

01 **Jumping straight into F&O** Leveraged derivatives trading before understanding basic equity investing is the single most common way beginners lose money fast.	02 **Investing on tips, not research** A WhatsApp forward or a "sure-shot" tip from a friend is not a strategy — and by the time a tip reaches you, it has usually already moved the price.
03 **No exit plan** Entering a trade without deciding your stop-loss and target in advance turns a manageable loss into an emotional, open-ended one.	04 **Putting in money you can't afford to lose** The market can and does stay irrational longer than most people can stay patient — never invest your emergency fund or borrowed money.
05 **Checking prices every few minutes** For long-term holdings, constant price-checking adds stress without adding information, and often triggers impulsive, regretted decisions.	06 **Skipping the basics entirely** Trying to learn options strategies before understanding what a share actually is leaves gaps that eventually get expensive.

Your 5-Step Roadmap to Getting Started

If everything above feels like a lot, here's the order we actually recommend to our own students at Chart Code — one deliberate step at a time.

1. **Learn the vocabulary first**
   Spend a few focused days with a resource like our Terms Glossary before opening any account — so the app, the news, and your broker's charts actually make sense from day one.
2. **Open a demat and trading account**
   Pick a SEBI-registered broker, complete KYC online, and get your demat and trading account activated — usually done within a day.
3. **Start small, start simple**
   Your first investment should be boring on purpose — a Nifty 50 index fund or a well-known, financially stable company, not a speculative penny stock.
4. **Track it weekly, not hourly**
   Short-term price noise is completely normal and usually means nothing for a long-term holding — resist the urge to check every few minutes.
5. **Learn analysis before you trade actively**
   Once investing feels comfortable, study chart reading and company financials properly — ideally with a structured course and a mentor — before ever attempting active or intraday trading.

📌 Steps 1–3 you can do this week on your own. Step 5 is where most self-taught beginners get stuck — that's exactly the gap our structured courses at Chart Code are built to close, offline in Boisar or live online anywhere in India.

Frequently Asked Questions

Q. Can I start investing in the stock market with a small amount of money?

Yes. There is no legal minimum investment amount in India — you can buy a single share of most companies, or start a mutual fund SIP with as little as a few hundred rupees a month. The idea that you need lakhs of rupees to begin is a common myth.

Q. Is the stock market the same as gambling?

No. Gambling is a zero-sum game based on chance with no underlying asset. Investing in stocks means buying part-ownership in a real, operating business, and long-term returns are tied to that business's actual performance and the broader economy — not random chance. Short-term speculative trading without any strategy, however, can behave a lot like gambling, which is exactly why education matters.

Q. What is the difference between NSE and BSE?

NSE and BSE are India's two main stock exchanges. BSE, established in 1875, is Asia's oldest exchange and home to the Sensex. NSE, which began operations in 1994, introduced modern electronic trading to India and is home to the Nifty 50. Most stocks are listed on both, and prices are nearly identical across the two.

Q. How much time does it take to learn stock market basics?

The core concepts on this page can be understood in a few focused hours. Being comfortable enough to invest confidently usually takes a few weeks of reading and watching real market movement. Becoming skilled enough to trade actively is a different, longer skill — typically several months of structured learning and practice, ideally with a mentor.

Q. Do I need to hire a broker or advisor to start investing?

You need a SEBI-registered broker to open the demat and trading account required by law to hold and trade shares — but this is usually a self-service app, not a person managing your money. A financial advisor is optional and only needed if you want personalised, ongoing guidance.

Ready to Go Beyond the Basics?

Reading is step one. Applying it on a live chart with a mentor watching your back 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

CHART CODE ACEFMEY

Website: www.chartcode.in

WhatsApp / Phone: +91-95121 00588

Email: chartcode.in@gmail.com

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