

From the President's Desk

It gives me immense pleasure in informing you that after 3 years of consecutive net losses, your company has turned around and has posted a net profit of Rs. 11 Lakhs for the financial year ending March 31, 2012, despite the not so conducive market conditions. This turnaround would not have been possible without the patronage of clients like you and I thank you for the same.

A few days back, I was strolling through the various newspapers. A news item, a statement by SEBI Chairman Mr. U K Sinha, on Algorithm trading caught my attention. Recently, SEBI has also issued broad guidelines to Stock Exchanges on Algorithm Trading. Adjacent to same was the item on increased volatility in Infosys future on April 20, 2012. My quest for more details on the new concept, led me to various amazing practices which are detailed in a recent article in the Business Line. A gist of the same is brought out in this issue's "Beginner's Corner". I trust that you will find it useful.

It's just amazing to note as to how we have grown to be dependent on technology. Today, communication without mobile phones and work without computers is just unimaginable. Technology has grown leaps and bounds during the last few decades and is continuing to grow at a faster pace. At the same time, technology is a tool and its use entirely depends on the user. Further, one beautiful thing is that, with rapid innovations and consequent price reduction, technology becomes affordable to all. The increased penetration of Mobile and internet connectivity in the world is the proof for the same.

There are hundreds of website available which helps in doing analysis of the markets and stocks. Indbank's website (www.indbankonline.com) has a built in "Portfolio Tracker", through which you can create a portfolio. You can also fix targets for each stock and a message will be sent to your mobile if the stock reaches the target set. Now, Indbank's online trading portal offers you the convenience of 24*7*365 service experience with facilities of order placing, account (Demat & Broking a/c) viewing, access to market information and research reports. Let's use the technology and maximize our returns.



Mr. BANABIHARI PANDA
President & Whole time Director
Indbank Merchant Banking Services Ltd

04/05/2012

Banabihari Panda
President and Whole Time Director
Indbank Merchant Banking Services Ltd

DOMESTIC DEVELOPMENTS

MONETARY POLICY REVIEW BY RESERVE BANK OF INDIA on 17.04.2012

With the last review of the monetary policy, happening just before the budget, all eyes were on the announcements during this review. The key takeaways are

- ❖ Repo Rate lowered by 50 bps to be at 8% from the earlier 8.5%. Reverse Repo Rate stands at 7% from the earlier 7.50%.
- ❖ Cash Reserve Ratio (CRR) at 4.75% and SLR at 24% remain unchanged.
- ❖ The baseline GDP growth for 2012-13 is projected at 7.3%.
- ❖ Inflation is projected to be at 6.5%.
- ❖ Rising inflation due to rise in commodity prices especially crude oil coupled with fiscal and current account deficits have been indicated as major risk factors hampering the growth of the economy.
- ❖ S&P lowered India's credit outlook to negative (BBB-), with a warning of further downgrade in another two years. BBB- is the lowest investment grading and just a notch above the "Junk Status". The widening fiscal and current account deficits have been cited as reasons for the downgrade.
- ❖ RBI raises exposure limits for banks to lend to Non-Governmental NGOs, engaged in financing houses for slum dwellers to Rs. 10 Lakhs from the existing Rs. 5 Lakhs.
- ❖ International Monetary Fund predicted India's growth forecast to be 6.9% for this year.
- ❖ According to RBI, Information on the MICR and IFSC codes has to be made available in the passbook/statement of accounts of the account holders.

INTERNATIONAL DEVELOPMENTS

- ♦ The US Federal Reserve Chairman assured the companies that the Federal Bank will not hesitate to launch another round of bond purchases if the economy weakens.
- ♦ According to Moody's Investor Service, the Chinese economic growth will slow down to 7.5%-8.5% in 2012 and 2013 as recession in Eurozone hampers its export potential.
- ♦ Britain's GDP fell 0.2% in 1-Quarter of 2012 following a decline of 0.3% in the last quarter of 2011, thus proving true the fears of recession.
- ♦ The Bank of Japan expanded its asset purchase fund by 5 trillion yen to about 70 trillion yen while extending the maturity of bonds to 3 years.
- ♦ S&P lowered Spain's long term credit rating to BBB+ from A, with negative outlook reviving concerns about Europe's debt crisis.

OUTLOOK – Tight Rope between Reforms and Subsidies

- * The markets are expected to be range bound during the forthcoming months, on feeble national and global cues.
- * Markets are expected to trade in the range of 5400 – 5135 in case of NIFTY and 16100 - 17600 in case of Sensex.
- * The market is expected to witness more of a stock specific action, as this is the season for results.

Snap Shots

Inflation (%)	6.89 (March 2012)	6.95 (Feb. 2012)	6.95 (Feb. 2012)	6.55 (Jan. 2012)
Particulars	27 th April 2012	20 th April 2012	13 th April 2012	06 th April 2012
91-Day Cut-off (%)	8.3946	8.3110	8.7712	8.8131
10-yr G-Sec yield (%)	8.6523	8.4879	8.4993	8.7414
1-10 yr spread (bps)	34	24	(2)	5
USD/INR(Rs)	52.68	52.00	51.42	51.05
USD 6m LIBOR	0.73	0.73	0.73	0.73
10 Y US Treasury	1.93	1.97	2.00	NA
USD/Euro Spot	0.755915	0.758035	0.760572	NA

Global Indices

Indices	Country	Index as on 30 th March 2012	Index as on 27 th April 2012	Variation (%) (Inc/ Dec)
NASDAQ	United States	3,091.57	3,069.20	(0.72)
DJIA	United States	13,212.04	13,228.31	0.12
S&P 500	United States	1,408.47	1,403.36	(0.36)
Hang Seng	Hong Kong	20,555.58	20,741.45	0.90
Nikkei 225	Japan	10,083.56	9,520.89	(5.58)
Straits Times	Singapore	3,010.46	2,981.58	(0.96)
FTSE 100	United Kingdom	5,768.50	5,777.10	0.15
CAC 40	France	3,423.81	3,266.27	(4.60)
DAX	Germany	6,946.83	6,801.32	(2.09)
Shanghai Composite	China	2,262.79	2,396.32	5.90
SENSEX	India	17,404.20	17,134.25	(1.55)
NIFTY	India	5,295.55	5,190.60	(1.98)

Institutional Investments

(in March up to 27.4.2012)

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)
FII Investments	Equity	41091.90	42200.50	(1109.10)
	Debt	9333.40	13121.10	(3787.50)
Mutual Fund	Equity	8168.70	8844.50	(675.60)
	Debt	95662.20	53875.50	41786.50
FII Derivative Trades	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
	- Buy	40518.54	263332.59	45837.58
- Sell	42017.70	257135.39	46691.88	12667.62

*Upto 26.4.2012

Editorial Team

Banabihari Panda

President and Whole-time Director

P. Mugundan

Executive Vice President & CS

S. Rajalakshmi

SSO

IPO and NFO Review

GLOBAL NEWS

- > Pfizer Incorporation is mulling dis-investment of its animal health business through an IPO and share swap with existing shareholders. The animal health business of the Company posted revenues of \$4.18 billion in 2011.
- > The Cambodian Stock Exchange re-opened after nearly 10 years. The first IPO was that of public utility – Phnom Penh Water Supply Authority. The IPO raised \$21 Million and debuted on the bourses on April 21, 2012.
- > The following is the list of IPOs which graced the global markets:
 - ❑ Oaktree Capital Group LLC (OAK) - \$380.20 Million.
 - ❑ MRC Global Incorporation - \$477.30 Million.
 - ❑ Splunk Incorporation - \$229.50 Million.

INDIAN NEWS

New Listings

Company Name	Offer Price (Rs.)	Exchange	Listing Date	List Price (Rs.)	Latest Traded Price (30/04/2012)	% Change to List Price (Rs.)
MT Educare Ltd.	80.00	BSE & NSE	12.04.2012	86.05	110.30	28.18
National Buildings Construction Company Ltd.	106.00	BSE & NSE	12.04.2012	101.00	95.60	(5.35)

Closed Issues

Company Name	Exchange	Price Band	Fixed Price (Rs.)	Issue Opened on	Issue Closed on	Over Subscription
Tribhovandas Bhimji Zaveri Ltd.	BSE & NSE	Rs. 120-126	NA	24.04.2012	26.04.2012	1.15 times

FORTHCOMING CORPORATE ACTIONS

Company Name	Symbol	Record Date	Ex Date	Purpose
Hexaware Technologies Limited	HEXAWARE	11-May-12	10-May-12	Interim Dividend Rs.1.50 Per Share
Godrej Consumer Products Limited	GODREJCP	10-May-12	09-May-12	Interim Dividend
Marico Limited	MARICO	09-May-12	08-May-12	2nd Interim Dividend
Foseco India Limited	FOSECOIND	07-May-12	04-May-12	Interim Dividend
HCL Infosystems Limited	HCL-INSYS	04-May-12	03-May-12	3rd Interim Dividend Re.1/- Per Share (Purpose Revised)

New Fund Offers

Scheme	Type	Class	OpenDate	CloseDate	OfferPrice	Min. Inv.Amount
BirlaSL FTP S FI	Close	Debt - FMP	24-Apr-12	2-May-12	10	5000
HDFC FMP 370DApr12 2	Close	Debt - FMP	25-Apr-12	2-May-12	10	5000
HDFC FMP92D Apr12 2	Close	Debt - FMP	25-Apr-12	2-May-12	10	5000
ICICIPruFMPS64 367DB	Close	Debt - FMP	25-Apr-12	2-May-12	10	5000
L&T FMP VI Apr 90D A	Close	Debt - FMP	30-Apr-12	2-May-12	10	5000
BirlaSL FTP S FE	Close	Debt - FMP	23-Apr-12	3-May-12	10	5000
IDFC FMP 18M S11	Close	Debt - FMP	25-Apr-12	3-May-12	10	10000
HDFC FMP 24M Apr12 1	Close	Debt - FMP	25-Apr-12	8-May-12	10	5000
HDFC FMP370D May12 1	Close	Debt - FMP	4-May-12	8-May-12	10	5000
IDFC FMP 366D S72	Close	Debt - FMP	4-May-12	8-May-12	10	10000
SBI DFS 366D 3	Close	Debt - FMP	3-May-12	8-May-12	10	5000
IDBI India Top100 Eq	Open	Equity - Diversified	25-Apr-12	9-May-12	10	5000
L&T FMP VI May369D A	Close	Debt - FMP	4-May-12	9-May-12	10	5000
Reliance FHF XXII S7	Close	Debt - FMP	4-May-12	9-May-12	10	5000
DSPBR DualAdv S3 36M	Close	Debt - Income	2-May-12	15-May-12	10	5000
Taurus Bank&FinServ	Open	Equity - Sector Fund	2-May-12	16-May-12	10	5000
JP MorganInd HybridS1	Close	Debt - Income	7-May-12	21-May-12	10	5000
BNP Pari Income & Gold	Open	Debt - Income	17-May-12	31-May-12	10	5000

OUR PICKS

RELIANCE INFRASTRUCTURE LTD.
Part of Reliance Group, India's largest private sector infrastructure company. Leader in utility space.

Investment Rationale

- ↪ Robust performance of the company's EPC Division.
- ↪ Restructuring plans.
- ↪ Strong Financials.
- ↪ Opportunities in power sector in India.
- ↪ EPS: 58.00
- ↪ PE Ratio: 10.10
- ↪ Book Value: Rs. 882.70

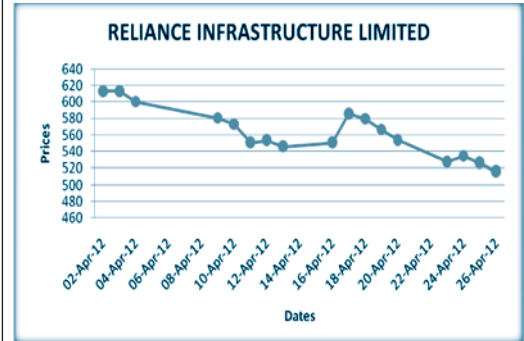
BUY – Long Term

CMP : Rs. 515.90*

Target : Rs. 680.00

52W H/L : Rs.710/328

Potential Upside – 16%



BSE Code: 500390

NSE Code: RELINFRA

HINDUSTAN NATIONAL GLASS AND INDUSTRIES LTD.

India's leading container glass company with around 55% market share.

Investment Rationale

- ↪ Only player in the sector with 55% market share.
- ↪ Expansion plans.
- ↪ Efforts to reduce costs and increase margins.
- ↪ Growing demand in cosmetics and personal care segments.
- ↪ EPS: 9.90
- ↪ PE Ratio: 19.40
- ↪ Book Value: Rs. 133.50

BUY – Long Term

CMP : Rs. 200.00*

Target : Rs. 240.00

52W H/L : Rs.235.6/121.5

Potential Upside – 25%



BSE Code: 515145

NSE Code: HINDNATGLS

BHARAT PETROLEUM CORPORATION LTD.

A Navaratna PSU, engaged in Integrated Oil Refining, exploration and marketing.

Investment Rationale

- ↪ Market Cap of \$5 Million.
- ↪ Strong Financials.
- ↪ Proposed pump-in of funds.
- ↪ Recent discoveries of natural gas.
- ↪ EPS: 45.20
- ↪ PE Ratio: 20.70
- ↪ Book Value: Rs. 424.60

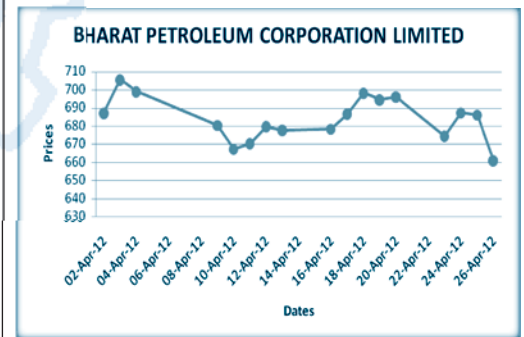
BUY – Long Term

CMP : Rs. 665.45*

Target : Rs. 844.00

52W H/L : Rs.712/653

Potential Upside – 25%



BSE Code: 500547

NSE Code: BPCL

JAIPRAKASH POWER VENTURES LTD.
Part of Jaypee Group. The company is India's largest private hydropower generator operating 1700 MW of run-of-the-river projects.

Investment Rationale

- ↪ Largest private player with strong order-book position.
- ↪ Fuel Supply Agreement with Coal India.
- ↪ Robust Financials.
- ↪ Increasing opportunities in the power sector.
- ↪ EPS: 0.70
- ↪ PE Ratio: 64.00
- ↪ Book Value: Rs. 19.70

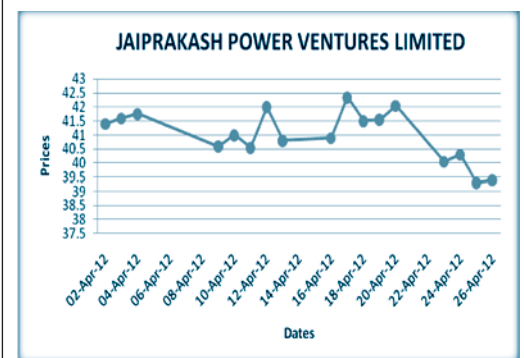
BUY – Long Term

CMP : Rs. 39.70*

Target : Rs. 53.00

52W H/L : Rs.54/31.2

Potential Upside – 26%



BSE Code: 532627

NSE Code: JPPPOWER

OUR PICKS FOR MEDIUM TERM BUYING

<p>TATA GLOBAL BEVERAGES LTD. Emerging player in the global beverage market.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 24.60 ● 6 Months – 31.00 ● 9 Months – 20.50 <p>↕ Beta: 1.41 ↕ Market Cap: Rs. 69.5 Billion ↕ Enterprise Value: Rs. 82.70 Billion</p>	<p>BSE Code : 500800 NSE Code : TATA GLOBAL CMP : Rs. 115.85* Target : Rs. 128.00 Stop Loss : Rs. 106.00 52WH/L : Rs. 128.70/80.00</p>
<p>ULTRATECH CEMENT LTD. Manufactures and Markets Cement and Cement Related Products.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 30.50 ● 6 Months – 32.90 ● 9 Months – 57.90 <p>↕ Beta: 0.85 ↕ Market Cap: Rs. 415.10 Billion ↕ Enterprise Value: Rs. 434.30 Billion</p>	<p>BSE Code : 532538 NSE Code : ULTRACEMCO CMP : Rs. 1416.90* Target : Rs. 1687.00 Stop Loss : Rs. 1430.00 52WH/L : Rs. 1542.10/916.40</p>
<p>HINDUSTAN ZINC LTD. Integrated producer of Zinc, Lead and Silver.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 4.10 ● 6 Months – 15.10 ● 9 Months – (7.00) <p>↕ Beta: 1.08 ↕ Market Cap: Rs. 541.50 Billion ↕ Enterprise Value: Rs. 391.80 Billion</p>	<p>BSE Code : 500188 NSE Code : HINDZINC CMP : Rs. 126.10* Target : Rs. 146.00 Stop Loss : Rs. 122.00 52WH/L : Rs. 155.30/106.70</p>
<p>TITAN INDUSTRIES LTD. India's largest retail network, engaged in manufacturing of watches, jewellery, eyewear and precision jewellery.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 40.40 ● 6 Months – 25.70 ● 9 Months – 14.40 <p>↕ Beta: 1.28 ↕ Market Cap: Rs. 221.30 Billion ↕ Enterprise Value: Rs. 210.90 Billion</p>	<p>BSE Code : 500114 NSE Code : TITAN CMP : Rs. 235.45* Target : Rs. 287.00 Stop Loss : Rs. 240.00 52WH/L : Rs. 254.90/154.40</p>
<p>FEDERAL BANK LTD. India's 4th largest bank in terms of capital base with Capital Adequacy Ratio of 17.23%.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 1 Month – (0.40) ● 3 Months – 17.20 ● 6 Months – 11.60 <p>↕ Beta: 1.17 ↕ Market Cap: Rs. 73.10 Billion ↕ Enterprise Value: Rs. 58.20 Billion</p>	<p>BSE Code : 500469 NSE Code : FEDERALBNK CMP : Rs. 414.05* Target : Rs. 492.00 Stop Loss : Rs. 406.00 52WH/L : Rs. 480.00/322.10</p>
<p>RELIANCE POWER LTD. Part of Reliance Group, one of India's largest business houses.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 13.00 ● 6 Months – 28.40 ● 9 Months – 35.80 <p>↕ Beta: 1.80 ↕ Market Cap: Rs. 32.10 Billion ↕ Enterprise Value: Rs. 398.20 Billion</p>	<p>BSE Code : 532939 NSE Code : RPOWER CMP : Rs. 100.70* Target : Rs. 132.00 Stop Loss : Rs. 95.00 52WH/L : Rs. 139.40/68.50</p>
<p>INFOSYS LTD. 2nd largest IT services company of India.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – (7.20) ● 6 Months – (11.80) ● 9 Months – (12.60) <p>↕ Beta: 0.81 ↕ Market Cap: Rs. 1382.40 Billion ↕ Enterprise Value: Rs. 1176.50 Billion</p>	<p>BSE Code : 500209 NSE Code : INFY CMP : Rs. 2395.05* Target : Rs. 2622.00 Stop Loss : Rs. 2285.00 52WH/L : Rs. 3020.00/2169.00</p>
<p>HDFC BANK LTD. India's 2nd largest private sector lender engaged in providing a range of banking & financial services.</p> <p><i>Stock Return</i></p> <ul style="list-style-type: none"> ● 3 Months – 13.60 ● 6 Months – 12.20 ● 9 Months – 7.90 <p>↕ Beta: 0.89 ↕ Market Cap: Rs. 1293.30 Billion ↕ Enterprise Value: Rs. 1223.10 Billion</p>	<p>BSE Code : 500180 NSE Code : HDFCBANK CMP : Rs. 542.70* Target : Rs. 600.00 Stop Loss : Rs. 524.00 52WH/L : Rs. 557.70/400.40</p>

For detailed analyst reports, please visit: www.indbankonline.com ⇔ Reports & Downloads ⇔ Equity Research *Closing price as on 27.4.12 on NSE

Mutual Fund Corner

Scheme of the Month

FRANKLIN INDIA BLUECHIP - GROWTH

Fund Manager: Mr. Anand Radhakrishnan & Mr. Anand Vasudevan

Investment Philosophy :

An open ended growth scheme with an objective primarily to provide medium to long-term capital appreciation. The fund manager seeks steady and consistent growth by focusing on well established, large size companies.

Asset Allocation	
As on 31/03/12	% Net Assets
Equity	92.56
Debt	0.02
Cash & Cash Equivalents	7.41

Other Information	
Minimum Investment	Lump Sum: Rs. 5000 & in multiples of Rs. 1000
SIP Availability	Available; Min. Amt.: Rs. 5000; Min. Installments: 12
Expense Ratio	1.81%

Current Statistics & Profile	
Latest NAV	205.9651 (27/04/12)
52-Week High	220.5190 (21/02/12)
52-Week Low	183.1643 (20/12/11)
Fund Category	Equity: Large Cap
Type	Open End
Launch Date	December 01,1993
Net Assets (Cr)	4624.87 (31.3.12)
Benchmark	Sensex

Fund Style	Portfolio Characteristic - As on 31.03.2012																			
<table border="1"> <thead> <tr> <th colspan="3">Investment Style</th> <th rowspan="5">Large Medium Small Capitalisation</th> </tr> <tr> <th>Growth</th> <th>Blend</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td style="background-color: #0070C0; color: white;">■</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Investment Style			Large Medium Small Capitalisation	Growth	Blend	Value	■												<p>Avg. Market Cap – 56363.52 Cr</p> <p>Market Capitalization</p> <p>Giant – 58.05%</p> <p>Large – 27.55%</p> <p>Mid – 14.40%</p> <p>Portfolio P/B Ratio – 3.75</p> <p>Portfolio P/E Ratio – 20.53</p>
Investment Style			Large Medium Small Capitalisation																	
Growth	Blend	Value																		
■																				

Trailing Returns

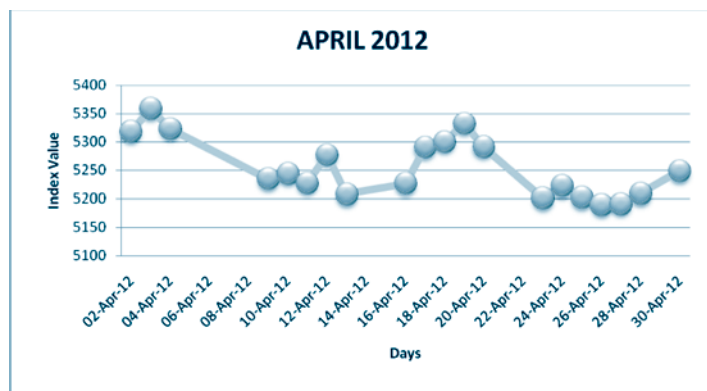
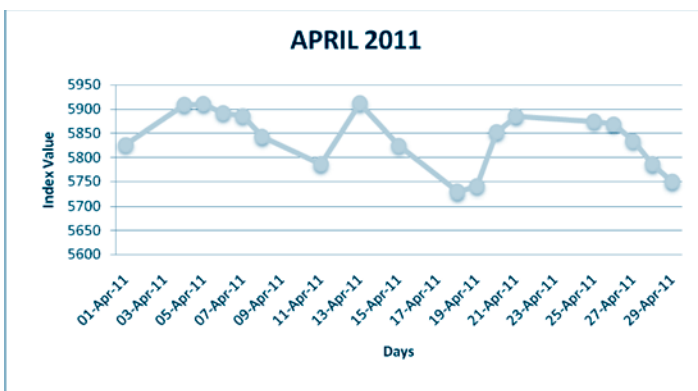
As on 27.04.2012	Fund Return	Category Return
Year to Date	10.34	11.50
1-Month	(2.27)	(0.95)
3-Month	(0.37)	(0.09)
1-Year	(6.81)	(10.22)
3-Year	20.55	14.81
5-Year	9.47	4.86
Return Since Launch 23.55		

PORTFOLIO – Top 5 Holdings as on 31/03/2012

Name of Holding	Nature of Instrument	% Net Assets
Infosys Technologies	Equity	7.99
Bharti Airtel	Equity	7.21
ICICI Bank	Equity	6.81
HDFC Bank	Equity	4.84
Reliance Industries	Equity	4.37

Note: Return up to 1 year are absolute and over 1 year are annualized

NIFTY ON APRIL 2011 & IN APRIL 2012



ALGORITHM TRADING

Technology has been growing leaps and bounds and has invaded every aspect of human life. Stock Markets are no exception. What started with trading has now reached the trading mechanism. Acknowledging, the same, SEBI has recently issued broad guidelines for Algorithm Trading. This article throws some light on the same.

What is Algorithm Trading?

As per SEBI Guidelines, Algorithm Trading has been defined as any order that is generated using automated execution logic. Before we get into details, an algorithm is a computer program to execute trades in the stock, commodity or other financial markets. These have been programmed to get triggered automatically, if certain market conditions are met.

High Frequency Trading (HFT) is a form of automated trading in which, a deluge of orders are executed in fractions of a second. Positions may be held only for minutes and the portfolio is churned furiously. Further no position is carried over. The programs help the traders to execute the orders in a few milli-seconds, as compared to minutes during manual execution of orders.

Algo Trades in Stock Exchanges

Use of Computer programs for execution of trading can be traced back to the 1980s. There have been various mechanisms developed to filter in the news during market hours and execute orders accordingly. There were rumors that the 1987 Stock Market Crash was due to some Algo gone wrong. On October 19, 1987, the stock markets across the world right from Hongkong to Europe and USA crashed. DJIA dropped 508 points on a single day. By the end of October 1987, investors lost almost 20% of their wealth. More recently the flash crash on 6th May 2010 in United States Stock Exchange where the DJIA (Dow Jones Industrial Average) plunged nearly 1000 points only to recover in seconds is attributed to algo trading.

Algo trading gained prominence in India recently. The Indian Exchanges have had their taste of algo trading. Recently on April 20, 2012, there was a sudden sharp fall in the price of Infosys futures up to a maximum of 19%, only again to rebound and end the day with 0.11% fall. This phenomenon has been attributed to some algo program and NSE is investigating the same.

Notwithstanding skeptics, algo trading increased with sophisticated technology. According to reports, as of 2009, algo trading accounted for nearly 73% of all the trades executed in the USA and in European Markets it is close to 80%. Recent disclosure from NSE reveals that in India nearly 16-17% of the trades executed are through algos on a monthly basis.

The basic algos are of 2 types – A) Execution Algos and B) Alpha Generating Algos

A) Execution Algos are used to execute the order at a price, that is as close as possible to the weighted average price of a stock. The Common Execution Algos are

1. **The Volume Weighted Average Price (VWAP)** – VWAP is calculated by weighting a stock's price quotes through the trading session with volumes traded at each price.
2. **Time Weighted Average Price (TWAP)** – This type breaks up a large order into equal parts and then dribbles buy or sell orders into the market evenly over the trading session. This ensures averaging out of the prices.

B) Alpha Generating Algos track historical relationship between securities, assets or markets and then exploit minor deviations for quick gains. Some of the common ones are

1. **Arbitrage Algos** – These algos earn a spread from trading on anomalies between securities, trading venues or asset classes. Arbitrage profit is also earned by exploiting differences between future and cash markets and by exploiting money making opportunities arising from Mergers, Buyouts or Restructurings.
2. **Trend following Algos** - Trend following Algos, follow the trends by employing techniques like technical analysis to identify a trend and piggy-back on it at an early stage to benefit from the momentum.

Needless to say, all these strategies may work only in liquid instruments.

Algo Traders and You

So what does algo trading mean for retail investors? First and foremost is that algo trading focuses more on the short-term gains, which might lead to increased volatility in the markets. The price swings can be sizeable and also for a miniscule duration, leaving the retail traders unprepared. Second, man is no match for computers while executing orders. Third, given the large volume of algo trades, any algo gone wrong will create havoc in the stock markets. Further, considering the costs involved, this trading can be undertaken only by institutions, with adequate capital at their disposal. This gives the institutions an edge over retail traders, thus creating an un-even playing field.

Some of the steps which can be taken to protect one's interests are listed below:

1. Ensure placement of Stop-Loss orders.
2. Subscribe to alerts from the Stock Exchanges and your Broker on your trades.
3. Use limit orders.
4. Invest a part of your portfolio in Mutual Funds – Systematic Investment Plans (SIPs).
5. Last but not the least, be alert to market and stock trends.

HAPPY INVESTING!!!

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