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understood the
assignment

FOREWORD

Idea Behind This Weekly Newsletter

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

- DR. D. M. Doke, Principal

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- Tata Realty to invest Rs 5,000 cr to build IT park project in Navi Mumbai

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ALGO: THE WAY TO GO

Ms. Isha Mahajan,
TYBAF

You may have heard of Algo-trading quite frequently these days. But what is it exactly? Algorithmic trading is nothing but using a computer program to automatically monitor the stock price and indicators and place the buy and sell orders when the defined conditions are met. So why is algo trading required? Basically, algo trading reduces the complexity of continuously monitoring all the stocks and place multiple orders at once even without a second's delay when the right time comes.

Algo trading is great when you have figured out a consistent strategy and know how to write the strategy code for the algorithm. In India, a very negligible percentage of retail investors use algorithms for trading. SEBI has also made it compulsory to seek prior approval for the algorithms being deployed. However, with the advent of applications and platforms selling ready-made algo trade strategies and advertising huge profits, many retail investors are trying their hand at algo trading while some are also trying to make their own algos using third party apps. Not only do most of them lack SEBI's approval, but also pose a risk to the market and can be misused for systematic market manipulation. As these third-party algo providers are unregulated, there is no investor grievance redressal mechanism in place.

Due to this, SEBI felt a need to create a regulatory framework and came out with a consultation paper on 9th December regarding the regulatory framework for algorithmic trading by retail investors in India. The paper aims to define an 'algo order'. The consultation paper categorizes all orders placed using API to be deemed as algo orders. API is a programming interface that creates a connection and allows to apps to talk with each other. With brokers offering APIs, retail investors were technically able to circumvent the approval process before. Now, the brokers will also have to get all these algorithms approved from the stock exchange before they're deployed. Imagine that the brokers and exchanges will have to examine and approve every single complex trading algorithm, every time a new one is built (or even when an old one is modified). This would lead to huge administrative costs. Disallowing APIs will also not solve the problem of unregulated algo trading platforms but rather increase it as retail investors will just shift from using broker APIs to third party automation tools which aren't in the control of the brokers and SEBI.

While there are few apparent drawbacks visible, the consultation paper is a great attempt at bringing Algo trading in India under clear regulatory framework and guidelines. SEBI also proposes to take suggestions from various experts, stakeholders as well as the public into consideration before bringing the guidelines into action. We will have to wait and see what SEBI has in store for retail algo traders, till then, the consultation paper can be viewed on SEBI's website:

https://www.sebi.gov.in/reports-and-statistics/reports/dec-2021/consultation-paper-on-algorithmic-trading-by-retail-investors_54515.html

APTITUDE TESTS A MAJOR DECIDING FACTOR FOR CAREER PLANNING

Ms. Gauri Naik,
SYBMS

It's the system by default that takes you by surprise when you answer a bunch of arbitrary questions to students and apparently the field of interest is chosen as the ultimate career option. The subject of concern here is, how do you know if you've made the right decision just on the basis of an objective test without actual knowledge of the field you are planning to enter into? You should be able to explore the various career options made available before narrowing it down to choosing one out of interest instead of tested skill set.

Aptitude tests being the most common medium of testing students' knowledge in order to choose their career path, nowadays has become a major setback for students who couldn't analyze the flaw in the system or the method per say which is used to pick a stream. Every year, there's a spike in the number of students switching streams from science to commerce/arts. Either they pick a completely different course or take a drop incase of medical/engineering aspirants which again is a growing area of concern since students quit after waiting that long. Choosing the right stream is a huge step towards career planning. The question here arises, what if a wrong decision is taken? One should be able to counter the unforeseen circumstances if the chosen stream doesn't work out later. The glitch in the medium rather the drawback of the aptitude tests, is making level of interest the main criteria to select a stream instead of testing the ability to pursue any given profession with required skills that one must consist of before giving it a shot.
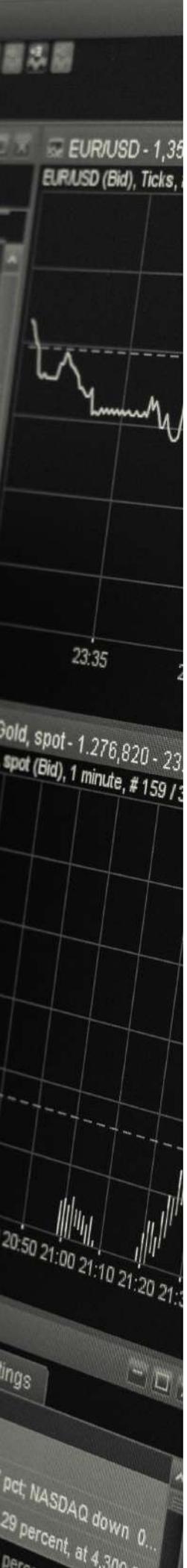
Basically, there are two schools of thought, either you focus on the level of interest or determined skill set, the conquest of deciding the right path depends on the latter while the former can be more of a hobby or something you are passionate about but can't make a living out of it because you don't possess the ability to make progress on the basis of liking which can be developed over the course of time if you have the expertise. In such case, introducing crash courses as a type of simulation techniques can be helpful to make students aware about the field they want to pursue because at the end of the day to go after a profession beyond competence is not everyone's cup of tea.

WHAT IS ELLIOTT WAVE THEORY?

Mr. Akshat Borkar,
SYBFM

The Elliott Wave Theory suggests that the stock prices move continuously up and down in the same pattern known as waves that are formed by the traders' psychology. The theory holds as these are recurring patterns, the movements of the stock prices can be easily predicted. Investors can get an insight into ongoing trend dynamics when observing these waves and also helps in deeply analyzing the price movements. But traders should take note that interpretation of the Elliot wave is subjective as investors interpret it in different ways.

What are Motives and Corrective Waves?

- Motive Waves:

Motive waves move in the direction of the main trend and consist of 5 waves that are labelled as Wave 1, Wave 2, Wave 3, Wave 4 and Wave 5. Wave 1, 2 and 3 move in the direction of the main direction whereas Wave 2 and 4 move in the opposite direction. There are usually two types of Motive Waves- Impulse and Diagonal Waves.

- Corrective Waves:

Waves that counter the main trend are known as the corrective waves. Corrective waves are more complex and time-consuming than motive waves. Correction patterns are made up of three waves and are labelled as A, B and C. The three main types of corrective waves are Zig-Zag, flat and Triangle Waves.

Below are the 5 main types of Elliott Wave Patterns:

1. Impulse:

Impulse is the most common motive wave and also easiest to spot in a market. Like all motive waves, the impulse wave has five sub-waves: three motive waves and two corrective waves which are labelled as a 5-3-5-3-5 structure. However, the formation of the wave is based on a set of rules. If any of these rules are violated, then the impulse wave is not formed and we have to re-label the suspected impulse wave.

The three rules for impulse wave formation are:

Wave 2 cannot retrace more than 100% of Wave 1.
Wave 3 can never be the shortest of waves 1, 3, and 5.
Wave 4 can never overlap Wave 1.

The main goal of a motive wave is to move the market and impulse waves are the best at accomplishing this.

2. Diagonal:

Another type of motive wave is the diagonal wave which, like all motive waves, consists of five sub-waves and moves in the direction of the trend. The diagonal looks like a wedge that may be either expanding or contracting. Also, the sub-waves of the diagonal may not have a count of five, depending on what type of diagonal is being observed. Like other motive waves, each sub-wave of the diagonal wave does not fully retrace the previous sub-wave. Also, sub-wave 3 of the diagonal is not the shortest wave.

Diagonals can be further divided into the ending and leading diagonals.

The ending diagonal usually occurs in Wave 5 of an impulse wave or the last wave of corrective waves whereas the leading diagonal is found in either the Wave 1 of an impulse wave or the Wave A position of a zigzag correction.

3. Zig-Zag:

The Zig-Zag is a corrective wave that is made up of 3 waves labelled as A, B and C that move strongly up or down. The A and C waves are motive waves whereas the B wave is corrective (often with 3 sub-waves). Zigzag patterns are sharp declines in a bull rally or advances in a bear rally that substantially correct the price level of the previous Impulse patterns. Zigzags may also be formed in a combination which is known as the double or triple zigzag, where two or three zigzags are connected by another corrective wave between them.

4. Flat:

The flat is another three-wave correction in which the sub-waves are formed in a 3-3-5 structure which is labelled as an A-B-C structure. In the flat structure, both Waves A and B are corrective and Wave C is motive having 5 sub-waves. This pattern is known as the flat as it moves sideways. Generally, within an impulse wave, the fourth wave has a flat whereas the second wave rarely does. On the technical charts, most flats usually don't look clear as there are variations on this structure. A flat may have wave B terminate beyond the beginning of the A wave and the C wave may terminate beyond the start of the B wave. This type of flat is known as the expanded flat. The expanded flat is more common in markets as compared to the normal flats as discussed above.

5. Triangle:

The triangle is a pattern consisting of five sub-waves in the form of a 3-3-3-3-3 structure, that is labelled as A-B-C-D-E. This corrective pattern shows a balance of forces and it travels sideways. The triangle can either be expanding, in which each of the following sub-waves gets bigger or contracting, that is in the form of a wedge. The triangles can also be categorized as symmetrical, descending or ascending, based on whether they are pointing sideways, up with a flat top or down with a flat bottom. The sub-waves can be formed in complex combinations. It may theoretically look easy for spotting a triangle, it may take a little practice for identifying them in the market

Bottomline:

As we have discussed above Elliott wave theory is open to interpretations in different ways by different traders, so are their patterns. Thus, traders should ensure that when they identify the patterns.

KNOW YOUR NEW INCOME TAX BUDDY-AIS

Ms. Akshaya Rajagopalan,
Alumni,
M.L.Dahanukar College of Commerce

Annual Information Statement (AIS) was launched for aiding taxpayers to bring all
their information into one box.

What is AIS?

Annual Information Statement or AIS is a comprehensive statement that will give all the transaction details of the taxpayer in a single document. Recently launched, unlike its counterpart Form 26 AS it will state details of incomes received under different heads along with sale and purchase details of securities purchased as sold. It also contains information on Tax Deductible at Source (TDS), Tax Collected at Source (TDS), any demand or refund. Utility for the same is unveiled too.

What is the difference between Form 26AS and AIS?

Form 26 AS is widely used to determine TDS deducted on incomes earned. It contains details of TDS and TCS deposited against the taxpayer's PAN during the financial year. But, information in Form 26AS will only be reflected only if any TDS or TCS has been deducted or if the transaction exceeds a specified limit. Eg. Interest earned on Fixed deposit in any bank will appear in Form 26AS only if TDS is deducted on such an amount.

However, in the case of AIS, transactions will reflect irrespective of TDS/TCS deductions. Apart from deduction details, AIS will state incomes earned as divided, interest commission, sale and purchase of equity shares, mutual funds, assets, etc. There is no specified limit for transactions to be featured in the AIS.

AIS is quite helpful to ascertain income especially in cases where it is received from multiple sources. Additionally, it also gives the taxpayer information about shares and securities sold which is useful in case of voluminous transactions. It acts as a checklist and eases the process of gathering information for reporting and return filing.

Though AIS has received some flak for data mismatch appearing under the head of sale and purchase of securities and shares, yet it serves as a great tool for complying incomes and data. The statement is currently available for FY 2020-2021 and can be downloaded in PDF and JASON format.

APPRECIATION WALL

Here's to all the friends I made during this pandemic, even though we never met, we are still as close as any friends I have ever known or even closer.
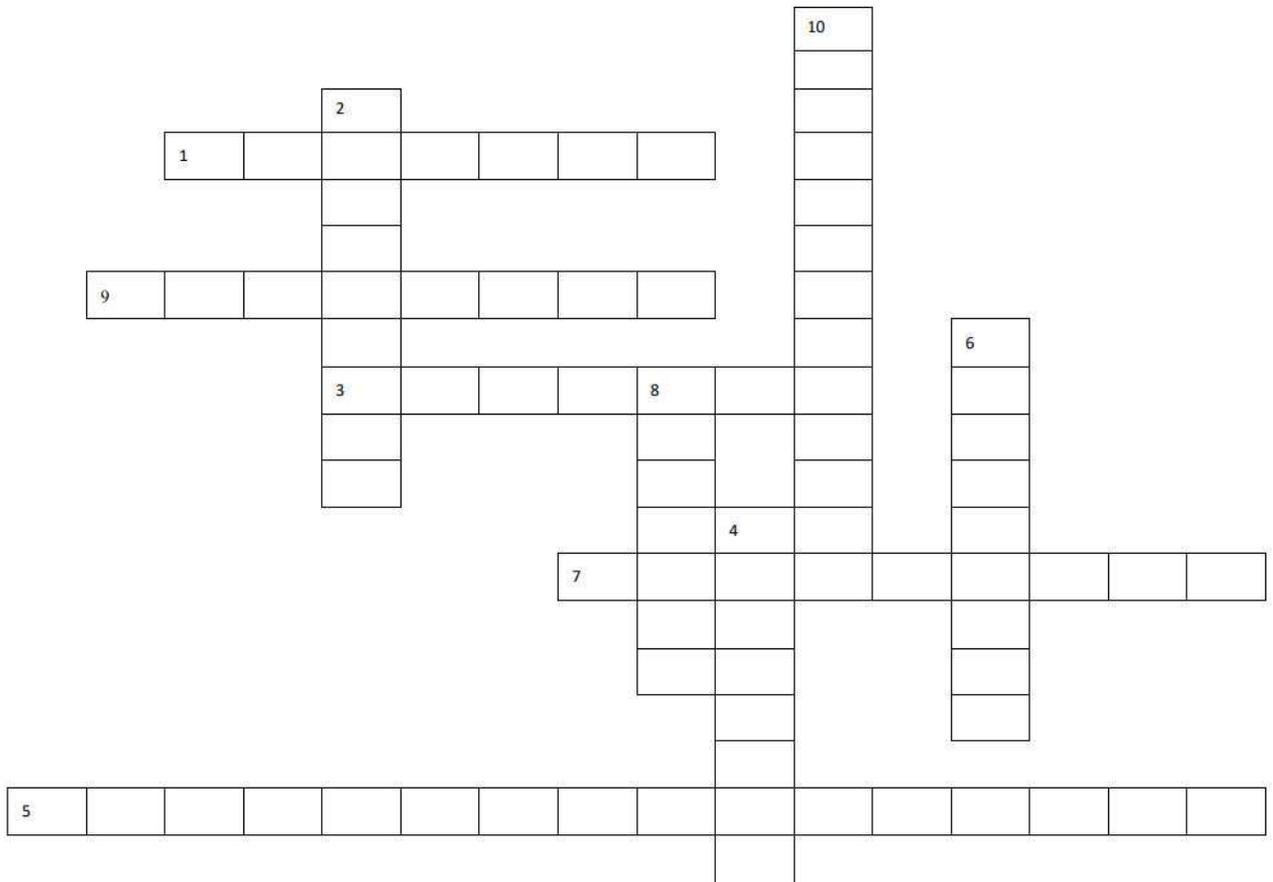It is because of these friends that the pandemic was bearable.

I want to thank all the Professors who worked so hard to teach us during this pandemic.

Thank you to all our readers and contributors for constantly supporting and writing for us
- The BAF Team

CROSSWORD

ACROSS:

1. Receipt shown in Profit and Loss account.
3. Income received in advance.
5. Demand for a product by an individual consumer.
7. Capital is a/an _ _ _ _ _ _ _ _.
9. When a debtor is unable to pay his debt, we write it off as _ _ _ _ _ _ _.

DOWN:

2. Facility available to Current Account holders.
4. Cost affected by a change in sales.
6. Debit balance of Trading Account.
8. Want satisfying power of a commodity.
10. Persons having a share in the company.

Designed by:
Bhavya Bhat, TYBAF

BAF TIMES Team
Aditya Patil, Bhavya Bhat, Gargi Patil, Nrupali Patkar

If you wish to contribute your articles to be featured in the next issue, please mail your articles on **swapnils@mldc.edu.in** or contact on **9987094858** by Tuesday of every week and wait for the issue to be released on Saturday.

All Articles in this issue are the personal views of the authors and the college does not necessarily subscribe to the personal views of the authors.

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ANSWERS
ACROSS - 1. REVENUE 3. ACCRUED 5. INDIVIDUAL DEMAND 7. LIABILITY 9. BAD DEBTS
DOWN - 2. OVERDRAFT 4. VARIABLE 6. GROSS LOSS 8. UTILITY 10. SHAREHOLDERS