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Samvat 2073 begins! Dos & Don'ts for muhurat trading this Diwali



NEW DELHI: Diwali, the festival of lights, is among the most auspicious festivals in India and holds special importance for the business community and the market community as it also marks the beginning of new accounting calendar.

Diwali is usually a trading holiday on the stock exchanges, but both NSE and BSE conduct special trading sessions in the evening, known as Muhurat Trading, to pay respect to Lakshmi, the goddess of wealth and prosperity.

"Samvat is Hindu calendar year, which starts from the first day of the Kartak month and ends on the Diwali day (last day of the Aaso month). This tradition started in 57 BC by Raja Vikramaditya," Yogesh Mehta, Vice-president, Equity Advisory, Motilal Oswal Financial Services, told ETMarkets.com.

"The tradition of starting any new business activity (inaugural) on this auspicious day with Goddess Laxmi's puja is called muhurat," he said.

This year, the bourses will conduct muhurat trading between 6:30 pm and 7:30 pm on Sunday, October 30, 2016.

Muhurat, as per the Hindu lexicon, means 'an auspicious time' decided by planetary movements. So, what better way to ward off those evil forces in the stock market?

"Trading in the stock market on the Diwali day at a specific Muhurat time is believed to bring prosperity and wealth for the year ahead," Rohit Gadia, CEO, CapitalVia Global Research, told ETMarkets.com.

"It's a tradition to trade during muhurat. All trades that get executed during the Diwali muhurat trading in both equities, derivatives result in settlement obligations," he said.

Muhurat Trading Session	Start Time	End Time
Pre Open*	06:15 pm	06:23 pm
Order Matching & Equilibrium price determination	06:23 pm	06:30 pm
Continuous Trading*	06:30 pm	07:30 pm
Block Deal Session	06:30 pm	07:05 pm
Call Auction Illiquid session*	06:35 pm	07:20 pm
Closing	07:30 pm	07:40 pm
Post-Closing Session	07:40 pm	07:50 pm
* Random closure in last one minute		

What should investors 'do' during Muhurat Trading:

Token purchase: If you are a trader and love equity as an asset class, then muhurat trading is the best time to purchase stocks. It does not have to be a big amount but a token purchase can do. The market is less volatile on this day as traders usually prefer to buy stocks rather than sell.

"Investors mark this occasion with token orders and buy stocks that they believe will add wealth to their portfolio. Prayers and festivities are held in the offices of brokerages across India," Alok Ranjan, Head of Research, Way2Wealth Brokers, told ETMarkets.com.

"It is believed that 'muhurat' trading brings in wealth and prosperity throughout the year. Traders believe market trends for the year are decided by how the indices close on this day," he said.

Right time for new investors: Most investors often have one question – 'when to enter'. Well, muhurat trading is the right time to enter the equity market even if you are a new investor. You can do so by simply making a token purchase.

Set a discipline: Diwali is all about making new beginnings. Investors should set a discipline for themselves to track their investments every quarter, if not on a monthly basis. A portfolio of equities, debt, gold or real estate should be reviewed regularly.

What should investors 'avoid':

No guarantee of handsome returns: It is considered auspicious to buy stocks in mahurat trading; but do remember that a good show on this day is no guarantee of good return in the rest of the year. Instead, investors should use their research and take help of financial managers to shuffle their portfolio for consistent wealth generation.

"Do not get carried away by the promise of good fortune during this auspicious occasion. Instead invest smartly in stocks that have done well in the past and promise growth and future viability," Gadia said.

Settlement period: Settlement of the trade executed during muhurat trading will happen as per normal exchange rules on a T+2 basis. "The settlement period will be normal. Market volatility would be less than the normal trading days on this day. Stock prices tend to be less volatile on this day, as most people prefer to buy stocks rather than sell," said Bhavin Doshi, Manager Equity Dealing at GEPL CAPITAL.

Avoid taking heavy exposure: Investors should avoid taking heavy exposure in specific stocks because of liquidity constraints. The domestic market will be open for trading on a holiday for just one hour. Hence, participation will be thin, which could alter liquidity conditions.

"One should always avoid taking heavy exposure in particular stocks on the mahurat trading day even though there is hardly any restriction on traders or investors from the exchange," Abnish Kumar Sudhanshu, Director & Research Head, Amrapali Aadya Trading & Investments, told ETMarkets.com.

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