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Few terminologies you should know before you buy any share.

A Thread ■■

When you're buying your first share, you placed an order than your Demat account. There are many terms should be aware of :

1/ Order - It is a show of intent to buy or sell shares in a given price range.

For example, you may place an order to buy up to 100 shares of Company A, at a maximum price of ■80 per share.

2/ Bid - Your bid is the amount that you are willing to pay for a share.

3/ Bid-ask spread - This is the difference between the amount people are willing to spend to buy a share and the amount at which the shareholders are willing to sell a share. A trade can only happen when this spread is resolved.

4/ That is, if the lowest price at which a share for Company A is being sold is ■40, and the highest price someone is willing to pay for such a share is ■38 – no trade can happen. The trade can only happen when the bid and ask prices match.

5/ Market Order - An order to sell/buy shares at the market price is called a market order. It is advisable to avoid placing market order as the trade price can be very volatile.

6/ Limit Order - An order to sell shares above a set price or buy shares below a set price is called a limit order. You should always use limit orders to trade shares.

7/ Day Order - An order that is good only till the end of the trading day is called a "day order". If the order does not get executed by the time the market closes, it would be cancelled.

8/ Good-till-cancelled order - An order that will stay open until it is either executed or manually cancelled. Such orders may stand for weeks if no shares are available to trade in the price range specified.

9/ For example, if you place a GTC order to buy a share of Company A for ■50 or less and the share is currently trading at ■70.

If it takes the share to hit ■50 price point a week later, the order will be executed then. If it were a day order, it would have been cancelled.

10/ Liquidity - Liquidity refers to how easily a stock can be sold off. A share that can be sold off quickly i.e., has high trade volumes is said to be highly liquid.

11/ Trading volume - The number of shares being traded on a given day is called trading volumes.

12/ Intra-day trading - Intraday trading is about buying and selling stocks on the same day so that all positions are closed before trading hours are over on that day.

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