SYBCOM .BANKING SPECIAL PAPER -4

Article on Stock Exchange Speculator – [Types & Functions in Market]

Stock Exchange Speculator is divided in Jobber, Broker, Bull, Bear, Contango, Lame duck, Stag & Backwardation.

All these duties & functions are different from each other depending upon their job nature.

Types & Functions of Stock Exchange Speculators

Stock Exchange Speculators

- Jobber
- Broker
- Bull
- Bear
- Contango
- Backwardation
- Lame Duck
- Stag

Functions of Speculators

- Deals with Broker & Jobber
- Intermediary in Client & Exchange
- Buys to sell at a high price
- Sells before price down
- Deals with settlements
- Carry transaction t next delivery
- If bear is unable to dispose
- Speculator + apply for floated company

Jobber

Jobber is the member of the stock exchange who performs important functions. He is an independent dealer in securities which are transacted in the market. He conducts the securities in his own name but he cannot deal directly with non-members. In other words, jobber has to deal with a broker or another jobber.

He is a professional speculator who has complete information regarding the particular shares he deals in. Jobber does not transact for the commission but transacts for profit which he gains from speculating activities. In brief, he renders the valuable services by executing the public's stock market orders that help to make the price fluctuations smooth.

Broker

The broker is a bonafide member of the stock exchange who deals outside the house for the purpose of bringing together his clients and jobber. In other words, he is an intermediary for his clients who cannot deal directly on the stock exchange. Broker thus transacts business in securities on behalf of his clients.

He generally deals in a large variety of securities. He receives a commission from his clients in exchange for his services. He is an experienced agent of the public. He renders important functions in regard to deal with skilled jobbers directly.

Bull

He is a speculator who buys different types of shares in the expectations of rising in their price in the future. He may sell these securities at the expected higher price without their coming into his possession. He is regarded as a potential seller in reaping of his profit. He sustains losses if the prices fall instead of rising.

Bear

He is also speculator who sells various securities for the objective of taking advantages of an expected fall in the prices. He is always in a position to impose of security which he does not possess. In this way, he makes the profit on each transaction. He may suffer losses if the price of security rises by the date of delivery. As he feels the prices will certainly fall in future so he is considered the potential buyer.

Contango

Contango is a term denoted for the practice of carrying over dealing with the next settlement. It is also regarded as interest which must be paid to the broker by buyers. In some cases, the purchaser shows his inability to pay the process of the securities on any specific date.

So, he requests the broker to carry over the transaction to the next bargain. For this, the broker is paid a remuneration described as contango.

Backwardation

This term describes the charge or interest paid by the seller of securities who wishes to postpone transaction to the next account. Sometimes the seller is not in a position to make delivery on the settlement day. So he wants to arrange to carry over the transaction to the next bargain. The buyers are thus paid a charge denoted as Backwardation.

Lame Duck

When a bear finds it difficult of meeting his obligations, he is called to be marketing like a lame duck. This may happen where he has been cornered. A bear generally agrees to dispose of certain shares on a specific date. But are some cases on the specific date he cannot deliver the shares because no shares are obtainable in the market.The second party may refuse to postpone the delivery. Thus lame duck may suffer heavy financial losses and his activities may come to end,

Stag

A stag is a speculator who applies for shares of the newly floated company as if he were a genuine investor. He has no intention to become an actual holder of the shares but he buys the shares with the object of selling them above the par value to gain the premium. His activities are not free from risk.

Sometimes the prices decline due to various factors. So the shares would be available in the market at a discount and stag may have to sell the shares at a loss.