

**INDIAN**

# STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

- Sharpe Ratio Made Simple
- ULIPs or Mutual Funds: What's Better For Tax Saving
- Global Wipeout: Why IT & Tech Stocks Got Hit By Claude AI's New Tool
- Level 1 vs Level 2 Data: What's The Difference
- Factors Affecting Option Price: A Trader's Master Guide



## Global Geopolitical Risk

Middle East Conflict, Oil Prices, And Market Volatility

# FOUNDER'S MESSAGE



## INDIAN STOCK MARKET JOURNAL

Special Edition | April 2026

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### ISMJ, April Issue

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Full efforts have been made to ensure the authenticity and accuracy of the contents of the Yearbook, but we do not accept any liability for the errors if committed and the subsequent loss arising from the same, but we will make sure that the errors if occurred are recited and minimized in future editions and also would welcome the reader's feedback.

We welcome your comments and suggestions for our future editions to make it more helpful month after month.

Dear Readers,

In this month's edition of ISMJ, we focus on strengthening the foundations of smart investing and disciplined trading. Leading our cover story, Global Geopolitical Risk: Middle East Conflict, Oil Prices, and Market Volatility, we unpack how rising tensions in the Middle East are influencing crude oil prices, disrupting global supply chains, and driving volatility across financial markets. The article connects macro developments with real market impact, helping readers understand how geopolitical risks translate into movements in equities, commodities, and currencies.

We then move to Factors Affecting Option Price: A Trader's Master Guide, where we break down the key drivers behind option pricing — from underlying asset movement and volatility to time decay and interest rates. This guide aims to give traders a clearer understanding of how options are valued and how different factors interact in real-time markets.

In Global Wipeout: Why IT & Tech Stocks Got Hit by Claude AI's New Tool, we explore the recent sell-off in technology stocks triggered by advancements in AI tools. The article highlights how innovation, competition, and disruption can quickly reshape market sentiment, especially in high-growth sectors.

For those evaluating investment choices, ULIPs or Mutual Funds: What's Better for Tax Saving takes a practical approach to comparing these two popular instruments. We look beyond just tax benefits and examine factors like returns, flexibility, costs, and long-term suitability.

Market depth is another crucial concept for traders, and in Level 1 vs Level 2 Data: What's the Difference, we simplify how these data types work and how they can enhance decision-making. The article helps readers understand order flow, liquidity, and how deeper market visibility can improve trading strategies.

Finally, in Sharpe Ratio Made Simple, we revisit one of the most important metrics in investing. The piece explains how to measure risk-adjusted returns and why evaluating performance without considering risk can lead to incomplete conclusions.

As always, our aim is to combine clarity with insight — helping you navigate markets with confidence and discipline.

We sincerely thank our readers for your continued trust and support. Your feedback enables us to deliver relevant and insightful content every month. Feel free to reach out to us at [support@equitypandit.com](mailto:support@equitypandit.com).

Happy Investing!

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April 14, 2026

Tuesday



# Global Geopolitical Risk

Middle East Conflict, Oil Prices, And Market Volatility



Geopolitical events now function as vital forces that transform global markets and national economic systems and individual human experiences in our world of rising interconnectedness. Among these, the ongoing tensions and conflicts in the Middle East stand out as one of the most significant drivers of global uncertainty.

From oil price spikes to stock market volatility, the ripple effects of geopolitical conflicts, especially in energy-rich regions, are immediate and far-reaching. This blog explores how Middle East tensions influence oil markets, why volatility increases, and what it means for global economies and investors, particularly in countries like India.



## Understanding Geopolitical Risk In Financial Markets

Geopolitical risk describes the situation where political unrest, together with warfare, trade disputes, and international diplomatic conflicts, creates unpredictable circumstances between different countries. These risks directly affect:



Commodity prices (especially oil and gas)

Currency movements

Stock markets

Trade flows and supply chains

The Middle East is especially critical because it accounts for a significant portion of global oil production and

exports. Any disruption in this region can create immediate supply shocks and trigger global economic consequences.

## Why The Middle East Matters For Global Oil Markets

The Middle East maintains its position as the main hub for worldwide energy distribution. The Strait of Hormuz functions as a major chokepoint because it used to carry almost 20 million barrels of oil each day until recent disturbances. All oil supply routes in this area become exposed to danger when regional conflicts reach higher levels of intensity. Recent developments have shown:

- Oil supply disruptions of up to 8–11 million barrels per day globally
- Significant damage to energy infrastructure across multiple countries
- Reduced flow of crude oil and LNG exports

These disruptions create immediate pressure on oil prices and increase uncertainty in energy markets.



# Oil Price Volatility

## The First And Biggest Impact

One of the most visible effects of geopolitical conflict is the surge in oil prices. Recent data highlights the scale of volatility:

- Brent crude surged from \$65–70 per barrel to over \$110 after the conflict began
- Prices briefly touched \$120 per barrel amid peak tensions
- Analysts warn oil could rise further to \$125 if the conflict escalates

This sharp increase is not just about



demand, but is primarily driven by supply fears and geopolitical uncertainty.

## Why Oil Prices React So Strongly

Oil markets are extremely sensitive to disruptions because:

- Supply chains are global and interconnected
- Storage and alternate routes are limited
- Even small disruptions can create panic buying

As a result, geopolitical risk often leads to price spikes disproportionate to actual supply loss.



# How Oil Price Shocks Impact The Global Economy

Oil is a foundational input for nearly every sector—transport, manufacturing, agriculture, and even packaging. When oil prices rise sharply, the impact spreads across the economy.

**1**

## Inflation Surge



Higher oil prices increase:

- Transportation costs
- Production costs
- Logistics expenses

This leads to broader inflation. In India, fuel has a direct and indirect impact on inflation, with petroleum products carrying a significant weight in the CPI basket.

**2**

## Slower Economic Growth



Rising energy costs reduce consumer spending and business profitability. Recent reports suggest that the ongoing conflict has already:

- Slowed private sector growth in India to a 3-year low
- Increased input costs across industries
- Pressured GDP growth outlook

**3**

## Trade And Current Account Pressure



Countries that import oil, like India, which imports nearly 85–88% of its crude needs, face a rising import bill. This leads to:

- Widening current account deficit
- Currency depreciation
- Increased fiscal strain

4

## Sectoral Impact



The effects are uneven across sectors:

- Negative Impact: Aviation, logistics, FMCG, chemicals
- Positive Impact: Oil producers, energy companies

In India, even sectors like fertilisers and aviation are affected due to reliance on Middle Eastern supplies.

# Financial Markets And Volatility

Geopolitical conflicts don't just affect commodities, but they trigger widespread financial market volatility.

1

## Stock Market Fluctuations



Equity markets react negatively to uncertainty.

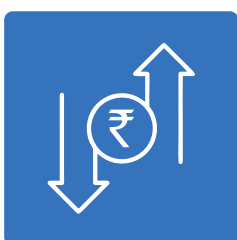
Rising oil prices:

- Increase costs for companies
- Reduce margins
- Create earnings uncertainty

This leads to sell-offs, especially in energy-dependent sectors.

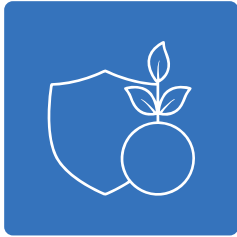
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## Currency Volatility



Countries that rely on oil imports experience currency devaluation. The Indian rupee will reach a value of ₹95 to the US dollar if current tensions continue. The weaker currency results in higher import expenses, which establishes a continuous cycle of increasing costs.

### 3 Flight To Safe Havens



During geopolitical crises, investors shift capital to safer assets such as:

- Gold
- US Dollar
- Government bonds

This reduces liquidity in riskier assets like equities and emerging markets.

### 4 Impact On Alternative Assets



Even cryptocurrencies are not immune.

Recent data shows:

- Bitcoin falling below \$70,000 amid geopolitical tensions

This highlights how deeply interconnected modern financial markets have become.

## India's Unique Exposure To Geopolitical Risk

India is particularly vulnerable to Middle East instability due to:



1

## High Oil Dependency

India imports nearly 85–88% of its crude oil, making it highly sensitive to global price shocks.

2

## Trade And Diaspora Links

The Middle East is a major:

- Trade partner
- Source of remittances
- Supplier of key commodities

3

## Strategic Chokepoints

The Strait of Hormuz is critical for India's energy supply. Any disruption can directly impact availability and pricing.

4

## Broader Economic Impact

The worst-case scenario would occur if oil prices reach \$130 per barrel because that price point would result in a 6% decrease in GDP growth for India. The prolonged conflict creates a major threat which establishes a systemic risk to the entire system.

# Market Volatility Short-Term vs Long-Term Effects

1

## Short-Term Effects

- Sharp oil price spikes
- Equity market corrections
- Currency fluctuations
- Panic-driven trading

## 2 Long-Term Effects

Over time, markets tend to stabilise, but structural changes may occur:

- Shift toward renewable energy
- Diversification of supply chains
- Strategic oil reserves expansion

Increased geopolitical risk premium in asset pricing

## How Investors Should Navigate Such Uncertainty

The only effective way to manage geopolitical risks requires an investor to use a systematic method which includes multiple investment channels. Investors should focus on understanding macro-economic indicators such as crude oil prices, inflation trends, and central bank policies.

During these times, investors need to prioritise their asset allocation strategies through different investments. A balanced portfolio that includes equities, debt instruments, and safe-haven assets like gold can help manage risk more effectively. Defensive sectors such as healthcare, utilities, and essential consumer goods will help investors during unpredictable market



conditions because these sectors show better performance during those times. Investors should stay away from making quick trades through their funds when they see changes in the stock market.

Investors who react to political instability events will experience negative financial results because their sudden emotional responses lead to wrong investment decisions.

The Middle East conflict continues to demonstrate how international politics and economic systems maintain a close link with each other. The global economy depends on oil prices, which serve as the main channel to transmit their effects on inflation, economic growth, currency values, and financial markets. The recent situation demonstrates its major effect through the combination of three factors, which include oil prices exceeding \$100 per barrel, supply disruptions that stop more than a million barrels per day, and increasing international market uncertainty.

Economic stability depends on both domestic factors and global geopolitical dynamics, which this statement demonstrates to both investors and policymakers. Organisations need to establish strong operational frameworks which will help them endure unpredictable outcomes because they live in an environment where forecasting capabilities fall short.

The contemporary world functions as an ongoing environment where geopolitical risks exist as a permanent factor.

# Factors Affecting Option Price

A Trader's Master Guide



Options trading is often misunderstood as simply predicting whether a stock or index will go up or down. In reality, option pricing is far more complex. Unlike stocks, whose prices depend mainly on demand and supply, options derive their value from multiple dynamic factors, including time, volatility, interest rates, and the

behaviour of the underlying asset.

Understanding these factors is critical because even if your market direction is correct, your trade can still lose money if you ignore how option pricing works. This guide breaks down all the key factors affecting option prices and explains them in a practical, trader-friendly way.

## What Is Option Price (Premium)?



An option's price, also known as its premium, consists of two components: intrinsic value and extrinsic value. Intrinsic value represents the actual profit you would make if the option were exercised immediately, while extrinsic value reflects time, volatility, and market expectations.

In simple terms, when you buy an option, you are not just paying for current value, but you are paying for possibility and probability. This is why understanding pricing factors becomes essential, especially in fast-moving markets like weekly options in India.

Option pricing is influenced by multiple variables, and these are quantified through a set of risk measures called

Option Greeks, which help traders understand how the premium reacts to changing market conditions.



# Key Factors Affecting Option Prices

•••

**1**

## Price Of The Underlying Asset

The most fundamental factor affecting option price is the price movement of the underlying asset (stock, index, or commodity).

When the underlying price rises:

- Call options increase in value
- Put options decrease in value

When the underlying price falls:

- Put options gain value
- Call options lose value

This relationship is captured by Delta, which measures how much the option premium changes for a given move in

the underlying asset. In simple terms, if the market moves in your favour, your option gains value, but this is only one piece of the puzzle.

**2**

## Strike Price

The strike price determines whether an option is in-the-money, at-the-money, or out-of-the-money. This classification directly impacts the premium.

Options that are in-the-money (ITM) already have intrinsic value and therefore command higher premiums. At-the-money (ATM) options are priced based on probability, while out

of-the-money (OTM) options are cheaper but riskier since they rely entirely on future price movement.

In practice, traders often choose ATM options for intraday trading due to better liquidity and price responsiveness, while OTM options are used for high-risk, high-reward strategies.

### 3 Time to Expiry (Theta – Time Decay)

Time is one of the most critical elements in option pricing, and it works against buyers. As an option approaches its expiry date, its value gradually declines, a phenomenon known as time decay. This decay is slow initially but accelerates rapidly in the final days before expiry. For example, weekly options in India often lose a significant portion of their value in the last 1–2 days, even if the underlying price doesn't move much.

This is why many professional traders prefer selling options rather than buying them, as they can benefit from

this consistent erosion in value. For buyers, timing becomes crucial; entering too early can result in losses purely due to time decay.



### 4 Implied Volatility (IV): The Most Powerful Factor

Implied volatility (IV) is often considered the most influential factor in option pricing. It represents the market's expectation of how much the underlying asset will move in the future.

When volatility expectations rise, such as before earnings announcements or major economic events, option premiums increase. Conversely, when uncertainty fades, implied volatility drops, causing option prices to fall.

This phenomenon is commonly known as IV crush, where options lose value rapidly after an event, even if the market moves in the expected direction. For example, many traders in India experience IV crush during events like RBI policy announcements or budget days.

Understanding IV helps traders decide whether options are cheap or expensive, making it a critical tool for both buyers and sellers.

## 5 Volatility Sensitivity (Vega)

Vega measures how sensitive an option's price is to changes in implied volatility. In simple terms, it tells you how much the premium will increase or decrease if volatility changes.

Options with higher Vega are more sensitive to volatility shifts, which is especially important for traders who hold positions during major events. For instance, if volatility rises by 1%, an option with high Vega will see a larger increase in premium compared to one with low Vega.

This is why experienced traders prefer buying options when IV is low and selling them when IV is high, effectively using volatility to their advantage rather than being affected by it.



## 6 Rate of Change in Price (Gamma)

Gamma measures how quickly Delta changes when the underlying asset moves. Although the term sounds complex, its actual usage brings major effects for traders who operate in brief market periods. The presence of high Gamma makes it possible for any small changes in the underlying asset to create substantial shifts in the option premium. Traders can observe this phenomenon most clearly with at-the-money options, which approach their expiry date because their prices experience sharp fluctuations during

short time intervals. Gamma creates both market opportunities and market risks, which lead to sudden increases in option prices that intraday traders observe throughout the day.



## 7 Interest Rates (Rho)

Interest rates also impact option pricing, though to a lesser extent for short-term trades.

- Rising interest rates tend to increase call option prices
- Decrease put option prices

This sensitivity is measured by Rho, and it becomes more relevant for long-term options.

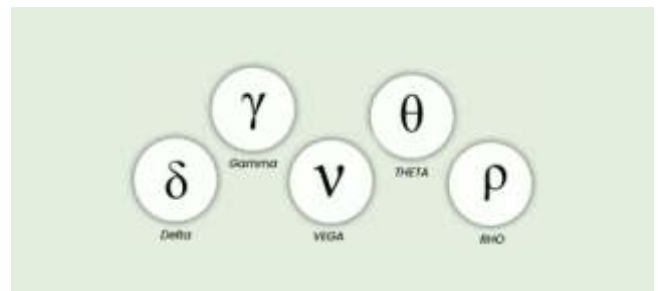


## Understanding The Option Greeks Together

Option pricing is not driven by a single factor, but it is the combined effect of multiple forces.

The five key Greeks are:

- Delta - Directional movement
- Gamma - Acceleration of price change
- Theta - Time decay
- Vega - Volatility sensitivity
- Rho - Interest rate sensitivity



These Greeks help traders understand why an option is gaining or losing value, even when the price movement seems minimal.

## Real Market Insight

Many beginners experience a common frustration, which is predicting the market direction correctly but still

incurring losses. This typically happens because other factors overpower price movement. For instance, buying

options before a major event can be risky. Even if the stock moves as expected, a drop in implied volatility after the event can reduce the option

premium significantly. Similarly, holding options too close to expiry can result in losses due to rapid time decay.



## Practical Tips For Traders

Successful options trading requires a balanced approach that considers multiple factors. Traders should assess

three factors when they prepare to execute a trade, which include assessing market price direction, evaluating volatility, and time remaining until expiration, and their total risk exposure. Your strategy needs to match the current market environment which exists at that particular moment. Directional trades function effectively in markets that exhibit strong trends, whereas option-selling strategies, which profit from time decay, work best in markets that move sideways.



# Common Mistakes To Avoid



Traders make their biggest mistake when they fail to recognise the effects of time decay and implied volatility on their trading decisions. Many traders enter their trades during periods of high market volatility without understanding that their trade costs will be elevated. Traders who engage in excessive leverage and who initiate

trades just before expiration without knowing their Gamma exposure will experience greater financial losses. All three elements must be present in order to succeed at this task, which includes maintaining self-discipline, performing accurate assessments, and developing comprehensive knowledge about option pricing methods.

## CONCLUSION



Options trading is not just about predicting whether the market will go up or down, but it's about understanding how various forces interact to influence the option premium. The underlying price provides direction, time decay continuously reduces value, volatility expands or contracts premiums, and the Greeks quantify all these effects. When combined, these factors determine whether a trade succeeds or fails.

By mastering these elements, traders can move beyond guesswork and develop a structured, informed approach to trading. This not only improves consistency but also helps in managing risk effectively, which is ultimately the key to long-term success in the options market.



# Global Wipeout

Why IT & Tech Stocks Got Hit by Claude AI's New Tool



In early 2026, global financial markets witnessed a sudden and sharp sell-off in technology and IT services stocks. What triggered this? Not a recession, not interest rates, but a single AI product launch.

When Anthropic unveiled its latest AI tools under the Claude ecosystem,

especially Claude Cowork and advanced AI agents, markets reacted instantly. Billions were wiped off valuations across global software companies, and Indian IT giants were not spared. This blog breaks down what happened, why it happened, and what it means for the future of tech investing.

## What Happened: The AI Shock That Shook Markets

The release of Anthropic's new AI tools triggered a massive global sell-off in tech and software stocks. In just a short span:

- Around \$285 billion in market value was wiped out globally
- India's IT sector alone lost nearly ₹2 lakh crore in market capitalisation
- The Nifty IT index dropped nearly 8% in a single session

The sell-off wasn't limited to India. Stocks across the US, Europe, and global software companies fell sharply

as investors began reassessing the long-term impact of AI on traditional business models. This was not just a correction, but it was a structural panic reaction to what AI might replace next.



## What Is Claude's New Tool And Why Is It Different?

Anthropic's new offering isn't just another chatbot. It represents a shift from AI assistance to AI autonomy.

Recent updates show that Claude can:

- Perform tasks directly on computers
- Write, edit, and test production-level code
- Automate legal work, compliance

checks, and reporting

- Handle multi-step workflows independently

In fact, newer versions of Claude can even operate systems like a human, navigating interfaces and executing tasks in real time. This marks a major transition, from AI as a tool to AI as a digital worker.



## Why Did IT And Tech Stocks Fall So Sharply?

The sell-off may have seemed sudden, but it was driven by deep structural concerns. Let's break it down.



### AI Is Now Replacing Core Revenue Streams

Traditionally, IT services companies, especially in India, earned revenue by providing outsourced services like:

- Software development
- Data processing
- Compliance and legal support
- Back-office operations

However, Claude's new tools can automate many of these tasks directly, reducing the need for human intervention.

For the first time, investors realised that AI is not just improving productivity, as it is directly replacing billable work. This raised serious questions about the sustainability of outsourcing-driven business models.



## Threat To The SaaS (Software-as-a-Service) Model

The global SaaS industry depends on recurring subscriptions for software tools. But AI agents like Claude challenge this model.

Instead of:

- Paying for multiple tools
- Hiring teams to operate them

Companies could use one AI system to handle multiple workflows.

This led to fears of a “SaaS disruption” or “SaaS apocalypse”, where traditional software platforms lose pricing power

and relevance. Investors began questioning whether software companies could maintain high valuations in an AI-first world.



## AI Is Moving From Assistance To Autonomy

Earlier AI tools (like chatbots or copilots) assisted humans. But Claude

represents a new category: AI agents that act independently.

These agents can:

- Complete tasks without supervision
- Coordinate multiple steps
- Replace entire workflows

This shift changes the equation entirely. It means companies may need fewer employees and fewer external service providers, directly impacting IT and consulting firms.



## Fear Spread Faster Than Fundamentals

Markets are often driven by sentiment, and in this case, fear spread rapidly.

Once the narrative of “AI replacing jobs and software” took hold:

- Investors began selling across the tech sector
- Even companies with minimal exposure were affected
- Index-driven selling amplified the decline

This is why the sell-off became broad-based rather than selective.



## Repricing of Future Growth Expectations

Tech stocks are valued based on future growth potential. When AI threatens that growth, valuations adjust quickly.

Investors started asking:

- Will IT services demand shrink?
- Will software margins decline?
- Will AI reduce hiring needs?

As a result, the market began repricing the entire sector, not just individual companies.



## Why Indian IT Stocks Were Hit Harder

.....  
 India's IT sector was particularly vulnerable due to its business model.



## 1 Dependence On Outsourcing

Indian IT firms generate a large portion of revenue from:

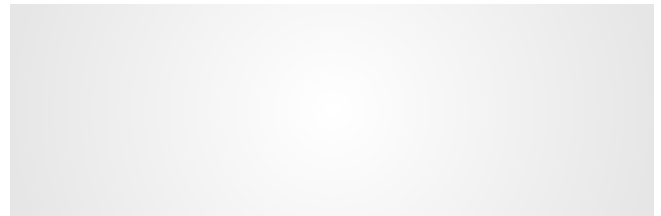
- Offshore services
- Backend operations
- Repetitive knowledge work

These are precisely the areas AI is targeting.



## 2 High Exposure To Global Clients

Many Indian IT companies serve US and European clients. If these clients adopt AI tools like Claude, outsourcing demand could decline.



## 3 Scale Of The Industry

India's IT sector is valued at around \$300 billion, making it highly sensitive to global disruption narratives. Even small shifts in expectations can lead to large market movements.



# Is This The Beginning Of An AI Bubble Burst—or A Transition?

Despite the panic, it's important to understand that this event is not necessarily the end of the tech sector.

Instead, it represents a transition phase.

## What's Changing

- AI is becoming a substitute, not just a tool
- Software is moving toward automation-driven models
- Human roles are shifting from execution to supervision

## What's Not Changing

- Demand for technology is still growing
- AI itself is a massive growth driver
- Companies that adapt can still thrive
- In fact, this shift could create new winners in the AI ecosystem, even as traditional players struggle.

## What This Means For Investors

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The Claude-triggered sell-off offers important lessons for investors.

### **1 Technology Is Being Repriced**

Markets are adjusting to a new reality where AI changes cost structures and revenue models.

### **2 Volatility Will Remain High**

AI innovation cycles are rapid, and each breakthrough can trigger market reactions.

### **3 Not All Tech Companies Will Lose**

Companies that integrate AI, build AI-native products, and adapt business models are likely to emerge stronger.

### **4 Focus On Adaptability**

The key question for investors is no longer:

“Is this company profitable?”

But rather: “Can this company survive and grow in an AI-driven world?”

# Conclusion

The global sell-off triggered by Claude's new AI tool was more than just a market reaction; it was a wake-up call.

For the first time, markets saw clear evidence that AI could:

- Replace human-driven workflows
- Disrupt software business models
- Reshape entire industries

This event marks the beginning of a new phase in the AI revolution, one where automation directly competes with traditional tech services. For investors, the takeaway is clear: the future of technology will not be defined by who builds software, but by who adapts to AI the fastest.



# ULIPs or Mutual Funds

What's Better for Tax Saving





As March approaches its final stretch and the race to save taxes for FY26 gathers momentum, many investors find themselves at a familiar crossroads—should you go for a product that blends insurance with investment, or stick to one that focuses purely on growing your wealth?

With deductions under Section 80C still relevant for those in the old tax regime, ULIPs and ELSS mutual funds once again come into focus. Both help you save taxes. Both invest in markets. But

what they actually do for your money can be very different.

At the same time, today's investing environment isn't as straightforward as it used to be. Markets move sharply on global cues, interest rate expectations, and geopolitical developments. The long-term India story remains strong—but short-term swings are very real.

And that's exactly why this decision is no longer just about saving tax. It's about choosing how your money behaves over time.

Let's break it down in a way that actually helps you decide.

## Understanding The Real Purpose Behind Each Option

Before comparing features, it's important to understand what each product is designed to do.

A ULIP (Unit Linked Insurance Plan) is essentially a two-in-one product. One part of your premium goes towards life

insurance, and the rest gets invested in market-linked funds like equity or debt. Mutual funds, on the other hand, are pure investment vehicles. Every rupee you invest is working towards generating returns—there's no insurance layer attached.

### Why does this matter?

Because when you mix insurance and investment, neither is always optimised fully.

For example, if you invest Rs 1 lakh in a ULIP, a portion goes towards insurance costs. But in a mutual fund, the entire Rs 1 lakh is invested. Over long periods, this difference can quietly compound.



## Where Tax Saving Fits Into The Picture

Now, coming to the reason most investors even compare these two—tax benefits.

Both ULIPs and ELSS mutual funds qualify for deductions under Section 80C up to Rs 1.5 lakh annually. So at first glance, they seem equal.

But there's a subtle shift that has changed the equation.

ULIPs issued after February 2021, where annual premiums exceed Rs 2.5 lakh, no longer enjoy fully tax-free maturity. Gains in such cases are taxed similarly to equity investments.

This means the extra tax edge ULIPs once had is no longer as strong.

So today, tax saving is just the entry point—not the deciding factor.

## Flexibility vs Long-Term Commitment

Now let's talk about something investors often underestimate—control over your own money.

ULIPs come with a 5-year lock-in. You

cannot withdraw during this period. This builds discipline, but also limits flexibility.

Mutual funds (except ELSS, which has

a 3-year lock-in) allow you to redeem anytime.

Let's take a simple example:

Suppose markets fall sharply and you want to shift your investments or rebalance your portfolio. With mutual funds, you can act. With ULIPs, you largely stay put.

So the question becomes—do you value discipline imposed by the product, or flexibility in your hands?



## Costs, Charges, And What You Actually Pay

This is where things start to get more practical. Mutual funds have a clearly defined expense ratio—a simple annual fee that's transparently disclosed.

ULIPs, however, can include multiple charges:

- Premium allocation charges
- Policy administration charges
- Mortality charges (for insurance cover)

Even though ULIPs today are more efficient than before, these costs—especially in the early years—can impact returns.

Over long periods, even a small difference in cost can lead to a noticeable gap in final wealth.

In simple terms: lower complexity often leads to better clarity—and better decisions.



## Handling Market Volatility: Discipline Matters

Markets will always move—sometimes sharply. That's the nature of equity investing.

What matters is how you behave during those movements.

Mutual funds, especially through SIPs (Systematic Investment Plans), help you invest regularly regardless of market levels. This averages out costs

and reduces emotional decisions.

ULIPs, due to their lock-in, also enforce discipline—but in a different way. Since you can't withdraw easily, you're less likely to panic during market dips.

So both products encourage discipline—but one gives you guided consistency, while the other enforces restricted patience.



## So, Should You Choose One Over The Other?

This isn't really a “winner takes all” situation.

It's more about what role you want each product to play.

### **ULIPs may work for someone who:**

- Wants insurance + investment in one place
- Prefers structured, long-term commitments

- Doesn't want to actively manage investments

### **Mutual funds may suit someone who:**

- Wants flexibility and control
- Is focused purely on wealth creation
- Prefers transparency and lower costs

Many financial planners actually recommend a simple approach: keep insurance and investment separate.

For example, you could:

- Buy a term insurance plan for protection
- Use mutual funds for long-term wealth creation

This way, each part of your financial plan does its job efficiently.



## A Smarter Way To Think About Tax Saving For Fy26

As the financial year comes to a close, it's tempting to pick any product that helps save tax quickly.

**But a better approach is to ask:**

“Will this decision still make sense 5–10 years from now?”

Tax saving gives you an immediate benefit.

But wealth creation depends on what happens after that.

**If your investment:**

- is cost-efficient
- gives you flexibility
- aligns with your goals

then it's likely to serve you better in the long run.

ULIPs and mutual funds both help you save tax—but that's where the similarity mostly ends.

ULIPs offer a bundled approach with insurance and enforced discipline, making them suitable for long-term, goal-based planning. Mutual funds, especially ELSS, provide flexibility, transparency, and a clearer path to wealth creation.

The smarter move isn't choosing what saves more tax today—it's choosing what builds more value tomorrow.

In the end, the best strategy is simple: align your investments with your goals, not just your tax-saving checklist.

# Level 1 vs Level 2 Data

What's the Difference



Confused by all the lingo in the stock market? You're not alone—and when it comes to market data, the gap between what you see and what's actually happening can be wider than you think.

Every price tick tells a story. But are you only seeing the headline... or the full picture?

That's exactly where Level 1 and Level 2 data come in. One gives you a quick snapshot, the other reveals what's happening beneath the surface. Let's see how we can perform a deeper dive into both, understand what sets them apart, and more importantly—how this difference can quietly shape your trading decisions.



## Seeing Just The Price Or The Bigger Picture? Understanding Level 1 Data

Level 1 data is what most people see by default. It shows you what has already happened, not what might happen next. You get the current price, how much trading is happening, and the best available buy and sell prices. It's clean, simple, and enough for tracking trends over time.

Think of it like checking a stock's price on your app—you see where it is, but not why it's moving.

Here's what it includes:

- The last traded price — the most recent deal done

- The best bid and ask — highest price buyers are offering and lowest price sellers are willing to accept
- Trading volume — how active the stock is
- Real-time updates during market hours

What it doesn't show is equally important—it does not reveal the full list of buy and sell orders waiting in the market.

#### Example:

If a stock is trading at Rs 500, Level 1 tells you that number and maybe the next best buy/sell price. But it won't tell you if there are huge buy orders sitting at Rs 495 that could support the price.

That's why Level 1 works best for investors who focus on the bigger picture rather than minute-by-minute moves.

## So What Lies Beneath? Understanding Level 2 Data

Now, if Level 1 is the headline, Level 2 is the behind-the-scenes footage.

Level 2 data shows the order book—a detailed list of pending buy and sell orders at different price levels. This helps you understand demand and supply before trades actually happen.

In simple terms, it answers: Who is waiting to buy or sell, and at what price?

#### Here's what you get:

- Market depth — multiple bid and ask levels
- Order quantities — how many shares are available at each price

- Visibility of large orders — which can act like short-term support or resistance
- Real-time updates
- Better timing for entries and exits

#### Example:

Imagine a stock at Rs 500 again. Level 2 might show massive buy orders lined up at Rs 495 and Rs 490. This suggests strong buying interest below, which could prevent the price from falling quickly.

But here's the catch—it shows intent, not certainty. Orders can be cancelled anytime.

# Level 1 vs Level 2: Spotting The Real Difference



Both types of data help you trade—but they serve very different purposes.

Level 1 keeps things simple. Level 2 adds depth and context.

## Meaning

- Level 1 gives a basic price view
- Level 2 shows the detailed order book

## Price Information

- Level 1 shows last price + best bid/ask
- Level 2 shows multiple price levels

## Order Details

- Level 1 does not show pending orders
- Level 2 shows quantity at each level

## Market Depth

- Level 1 does not provide it
- Level 2 makes it clearly visible

## Ease of Use

- Level 1 is simple and beginner-friendly
- Level 2 needs experience to interpret

## Decision-Making

- Level 1 supports slower, planned decisions
- Level 2 enables faster, real-time decisions

## Access

- Level 1 is usually free
- Level 2 is often paid

In short, Level 1 tells you where the price is. Level 2 hints at where it might go next.

## Who Uses What? Breaking Down The Real Users



This difference in detail naturally attracts different types of users.

Level 1 is preferred by those who don't

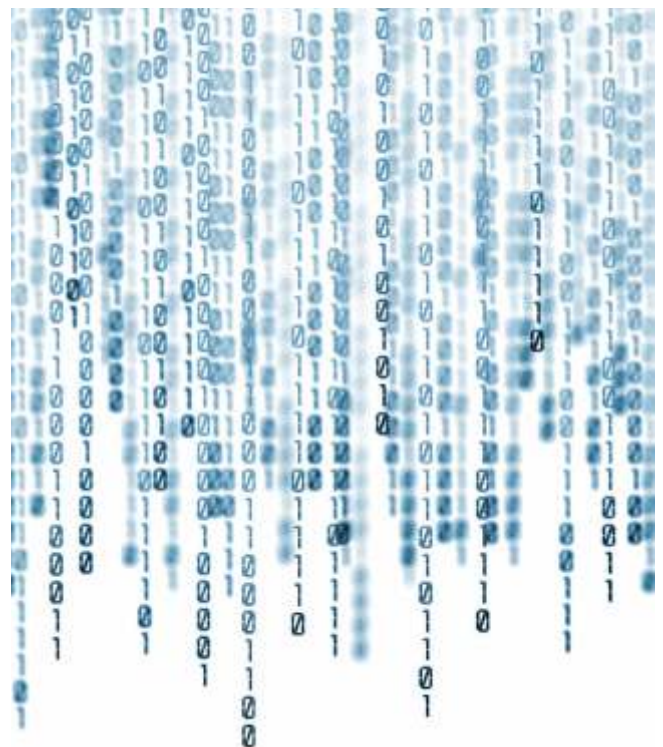
need to react instantly. Long-term investors and delivery traders rely on it because their decisions are based on trends and fundamentals, not short-term fluctuations. Beginners also find it easier to understand and use.

Level 2, on the other hand, is where active traders operate. Intraday traders, scalpers, and short-term players use it to read buying and selling pressure. For them, timing is everything—and Level 2 gives that extra edge.

## Where Does This Data Come From?

Market data doesn't just appear on your screen. It originates from stock exchanges like the NSE, BSE, and MCX. These exchanges generate real-time data, which is then distributed through authorised providers to trading platforms.

Some providers offer both basic and advanced data feeds, including APIs and integrations with charting tools. This is what ensures you see live prices, order flow, and updates without delay.



## Why the Right Data Source Matters More Than You Think

Here's something many traders overlook—data quality can directly impact decisions. Fast and accurate data helps you react quickly, especially if you're trading short-term. Even a slight delay can mean entering or exiting at the wrong price.

### Reliable providers ensure:

- Low latency (minimal delay)
- Accurate data directly from exchanges
- Compatibility with trading platforms
- Consistent performance

For active traders, this isn't optional—it's essential.

Level 1 and Level 2 data aren't about which one is better—they're about what suits your style.

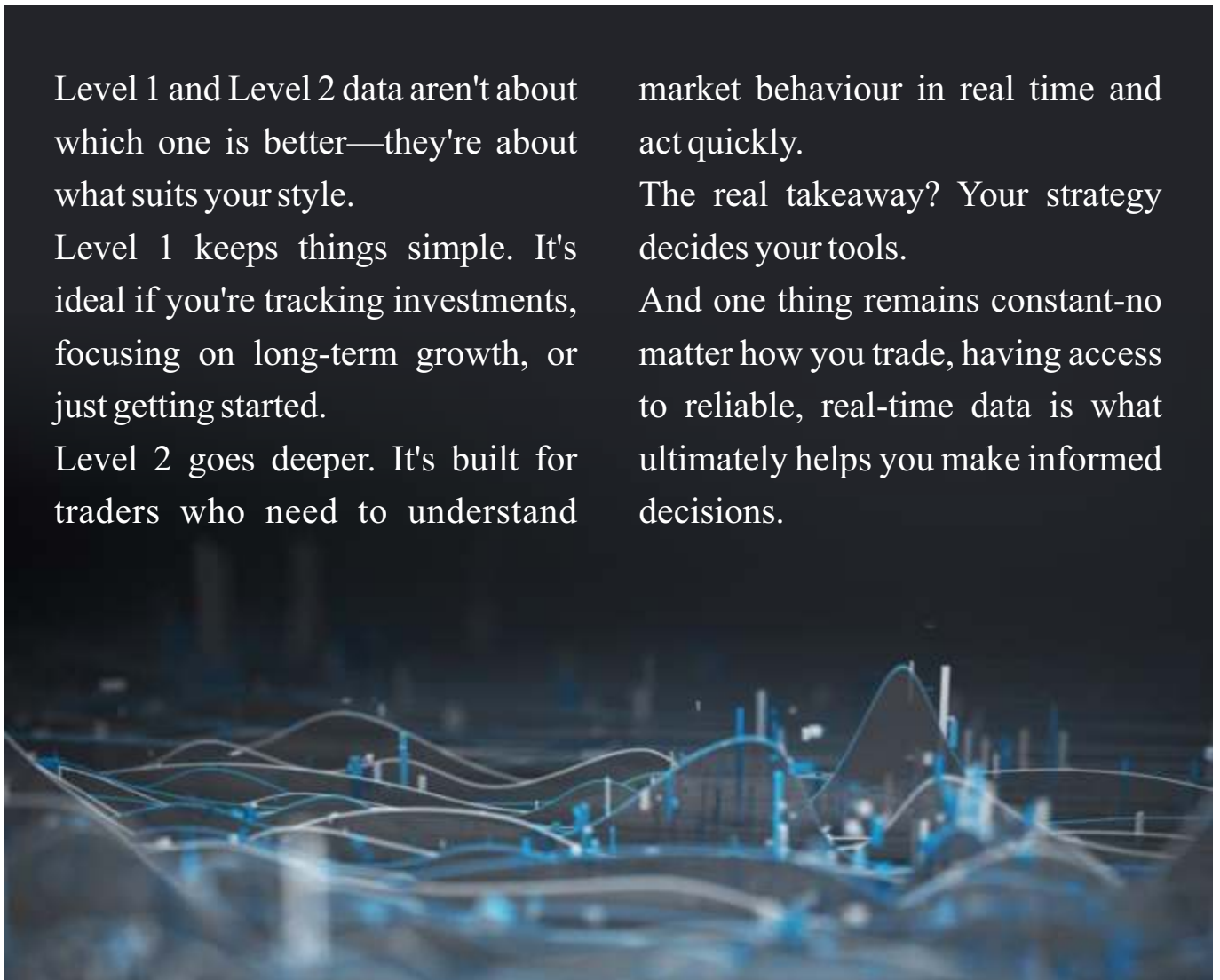
Level 1 keeps things simple. It's ideal if you're tracking investments, focusing on long-term growth, or just getting started.

Level 2 goes deeper. It's built for traders who need to understand

market behaviour in real time and act quickly.

The real takeaway? Your strategy decides your tools.

And one thing remains constant—no matter how you trade, having access to reliable, real-time data is what ultimately helps you make informed decisions.



# Sharpe Ratio

— Made Simple —





Confused by all the lingo in the stock market? You're not alone—and when it comes to market data, the gap between what you see and what's actually happening can be wider than you think.

Every price tick tells a story. But are you only seeing the headline... or the full picture?

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## What Does The Sharpe Ratio Really Tell You?

At its core, the Sharpe Ratio answers a simple but powerful question:

“Am I being rewarded enough for the risk I'm taking?”

It measures how much extra return you earn compared to a safer option (like a fixed deposit or government bond), after adjusting for the ups and downs in your investment.

**A few things to keep in mind:**

- A higher Sharpe Ratio means the fund is delivering better returns for the level of risk taken
- A lower ratio suggests you're taking more risk without enough reward
- It helps you look beyond just “high returns” and focus on quality of returns

Introduced by economist William F. Sharpe in 1966, this metric has become a go-to tool for investors who want smarter, more balanced decisions.



## How Is the Sharpe Ratio Calculated?

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Before you get intimidated by the formula—don't. The idea behind it is actually simple.

The Sharpe Ratio compares:

- The extra return (over a safe investment)
- Against the volatility (how much returns fluctuate)

**Formula:**  $(\text{Return of Fund} - \text{Risk-Free Return}) \div \text{Volatility}$

Here's what that means in plain terms:

**Risk-free return =** what you could earn without taking much risk (like government bonds)

**Volatility =** how much the fund's returns move up and down over time

So essentially, it tells you:

How efficiently is this fund converting risk into returns?



# Let's Understand It With A Simple Example

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Let's say:

- A mutual fund gives 12% annual return
- A government bond gives 6% return
- The fund's volatility is 10%

Now, the extra return is **6% (12% – 6%)**

Sharpe Ratio =  $6 \div 10 =$  **0.6**

What does this mean?

The fund generates **0.6 units of extra return for every 1 unit of risk.**

It's not bad—but it's not outstanding either. This falls into a moderate efficiency zone.

## So, What's A “Good” Sharpe Ratio?

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Now that you understand the number, let's put it into perspective:

Below 0 →	You're earning less than safe options → Not worth the risk
0 to 0.5 →	Low reward for the risk taken
0.5 to 1 →	Decent, acceptable for many investors
1 to 2 →	Strong performance with a good risk-return balance
Above 2 →	Excellent, but rare

But here's something important most blogs don't tell you:

A “good” Sharpe Ratio also depends on the category.

For example, debt funds usually have lower ratios than equity funds because their returns are more stable.

# Why The Sharpe Ratio Actually Matters

At this point, you might be wondering —do I really need this?

The short answer: Yes, if you care about consistency and not just returns.

Here's where it truly helps:

It shifts your mindset from chasing high returns to focusing on how those returns are achieved. A fund giving 15% with wild swings may actually be worse than one giving 12% steadily.

It allows fair comparison between similar funds. If two funds show similar returns, the one with the higher Sharpe Ratio is usually the better pick.

It helps you build a portfolio that's not just profitable—but also stable and less stressful to hold.

And most importantly, it highlights funds that perform well even during tough market phases, not just during bull runs.



## Where It Helps... and Where It Doesn't

Like any tool, the Sharpe Ratio isn't perfect. Let's keep it real.



### Where It Helps

It simplifies decision-making by telling you whether returns justify the risk. It also makes comparing funds within the same category much easier.

It encourages disciplined investing by rewarding consistency over flashy short-term gains.

And once you understand it, it becomes a quick and reliable filter when shortlisting funds.

### Where It Falls Short

It relies on past data—so it can't predict the future.

It assumes markets behave in a “normal” pattern, which isn't always true (especially during crashes).

It may penalise funds that deliver high returns but experience short-term volatility.

Also, comparing Sharpe Ratios across different categories (like equity vs debt) can give misleading conclusions.

## A Smarter Way To Use The Sharpe Ratio

Here's where you can take things one step ahead.

Don't use the Sharpe Ratio in isolation.

Instead, combine it with:

- Long-term performance (at least 3–5

years)

- Fund category comparison

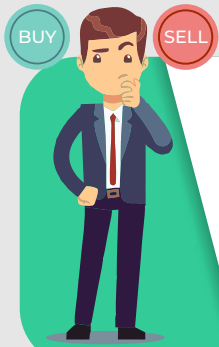
- Your own risk tolerance and goals

Think of it as a filter, not the final decision-maker.

The Sharpe Ratio cuts through the noise and helps you answer one key question—are your returns actually worth the risk? It brings clarity by focusing on consistency and efficiency, not just headline numbers.

Used the right way, it can help you avoid unstable investments, compare funds more effectively, and build a portfolio that feels as good as it performs. Just remember—it's a powerful guide, not a standalone verdict.





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