

Options Trading Crash Course: The

Stock market crashes in India

stock market crashes and bear markets Mutual funds in India Market manipulation Risk management Financial risk management Insider trading Trading day Stock

Since the beginning of the Bombay stock exchange, stock markets in India, particularly the Bombay Stock Exchange and National Stock Exchange of India have seen a number of booms as well as crashes.

This page lists these crashes and sharp falls in the two primary Indian stock markets, namely the BSE and NSE.

Financial Times terms a double-digit percentage fall in the stock markets over five minutes as a crash, while Jayadev et al. describe a stock market crash in India as a "fall in the NIFTY of more than 10% within a span of 20 days" or "difference of more than 10% between the high on a day and the low on the next trading day" or "decline in the NIFTY of more than 9% within a span of 5 days". As per the latter definition, the Nifty experienced 15 crashes during the period 2000 to 2008 with a number of them having occurred in the months of January, May and June 2008. According to SEBI, approximately 89% of individual stock traders in the equity Futures & Options (F&O) segment incurred losses during the financial year 2021–22.

2025 stock market crash

options trading volume jumped in the minutes before the announcement of the pause in tariffs. It was unclear how many traders bought call options or

The “Trump Slump” started on April 2, 2025, global stock markets crashed amid increased volatility following the introduction of new tariff policies by United States President Donald Trump during his second term. On April 2, which he called "Liberation Day", Trump announced sweeping tariffs impacting nearly all sectors of the US economy. The announcement triggered widespread panic selling across global stock markets, including those in the United States. It became the largest global market decline since the 2020 stock market crash, which occurred during the recession caused by the COVID-19 pandemic.

Trump entered his second term with a particularly strong domestic stock market. This momentum continued for several weeks after his inauguration. However, the administration soon began implementing increasingly aggressive trade policies aimed at advancing protectionism and applying economic pressure. These included escalating the ongoing trade war with China, starting a trade war with Canada and Mexico, imposing heavy tariffs, and heightening tensions with key allies. As these policies took effect, financial markets grew increasingly turbulent and volatile, with a growing sense of uncertainty.

As stock prices declined, investors initially moved into bonds, pushing down yields. The Trump administration pointed to the yield drop as evidence that its tariff measures were helping reduce borrowing costs. However, this trend quickly reversed as bond markets began to experience widespread selling as well, described as an example of bond vigilantism. The spike in bond yields, attributed to waning investor confidence in US fiscal policy, led to emergency responses by several governments.

The Trump administration announced it would pause tariff increases on April 9, 2025, leading to a stock market rally with major US indices posting their largest gains in years. Following further walk backs and initial trade deals, the S&P 500 US stock market index turned positive for the year on May 13, 2025. By June 27, 2025, the S&P 500 and the NASDAQ closed at all time highs.

VIX

current options-market data. VIX is a volatility index derived from S&P 500 options for the 30 days following the measurement date, with the price of

VIX is the ticker symbol and popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options. It is calculated and disseminated on a real-time basis by the CBOE, and is often referred to as the fear index or fear gauge.

The VIX traces its origin to the financial economics research of Menachem Brenner and Dan Galai. In a series of papers beginning in 1989, Brenner and Galai proposed the creation of a series of volatility indices, beginning with an index on stock market volatility, and moving to interest rate and foreign exchange rate volatility. Brenner and Galai proposed, "[the] volatility index, to be named 'Sigma Index', would be updated frequently and used as the underlying asset for futures and options. ... A volatility index would play the same role as the market index plays for options and futures on the index." In 1992, the CBOE hired consultant Bob Whaley to calculate values for stock market volatility based on this theoretical work.

The resulting VIX index formulation provides a measure of market volatility on which expectations of further stock market volatility in the near future might be based. The current VIX index value quotes the expected annualized change in the S&P 500 index over the following 30 days, as computed from options-based theory and current options-market data. VIX is a volatility index derived from S&P 500 options for the 30 days following the measurement date, with the price of each option representing the market's expectation of 30-day forward-looking volatility.

Like conventional indexes, the VIX Index calculation employs rules for selecting component options and a formula to calculate index values. Unlike other market products, VIX cannot be bought or sold directly. Instead, VIX is traded and exchanged via derivative contracts, derived ETFs, and ETNs which most commonly track VIX futures indexes.

In addition to VIX, CBOE uses the same methodology to compute similar products over different timeframes. CBOE also calculates the Nasdaq-100 Volatility Index (VXNSM), CBOE DJIA Volatility Index (VXDMSM) and the CBOE Russell 2000 Volatility Index (RVXSM). There is even a VIX on VIX (VVIX) which is a volatility of volatility measure in that it represents the expected volatility of the 30-day forward price of the CBOE Volatility Index (the VIX).

Day trading

Day trading is a form of speculation in securities in which a trader buys and sells a financial instrument within the same trading day. This means that

Day trading is a form of speculation in securities in which a trader buys and sells a financial instrument within the same trading day. This means that all positions are closed before the market closes for the trading day to avoid unmanageable risks and negative price gaps between one day's close and the next day's price at the open. Traders who trade in this capacity are generally classified as speculators. Day trading contrasts with the long-term trades underlying buy-and-hold and value investing strategies. Day trading may require fast trade execution, sometimes as fast as milli-seconds in scalping, therefore direct-access day trading software is often needed.

Day trading is a strategy of buying and selling securities within the same trading day. According to FINRA, a "day trade" involves the purchase and sale (or sale and purchase) of the same security on the same day in a margin account, covering a range of securities including options. An individual is considered a "pattern day trader" if they execute four or more day trades within five business days, given these trades make up over six percent of their total trades in the margin account during that period. Pattern day traders must adhere to specific margin requirements, notably maintaining a minimum equity of \$25,000 in their trading account before engaging in day trading activities.

Day traders generally use leverage such as margin loans. In the United States, Regulation T permits an initial maximum leverage of 2:1, but many brokers will permit 4:1 intraday leverage as long as the leverage is reduced to 2:1 or less by the end of the trading day. In other countries margin rates of 30:1 or higher are available. In the United States, based on rules by the Financial Industry Regulatory Authority, people who make more than three day trades per one five-trading-day period are termed pattern day traders and are required to maintain \$25,000 in equity in their accounts. However, a day trader with the legal minimum of \$25,000 in their account can buy \$100,000 (4× leverage) worth of stock during the day, as long as half of those positions are exited before the market close. Because of the high risk of margin use, and of other day trading practices, a day trader will often have to exit a losing position very quickly, in order to prevent a greater, unacceptable loss, or even a disastrous loss, much larger than their original investment, or even larger than their account value.

Day trading was once an activity that was exclusive to financial firms and professional speculators. Many day traders are bank or investment firm employees working as specialists in equity investment and investment management. Day trading gained popularity after the deregulation of commissions in the United States in 1975, the advent of electronic trading platforms in the 1990s, and with the stock price volatility during the dot-com bubble. Recent 2020 pandemic lockdowns and following market volatility has caused a significant number of retail traders to enter the market.

Day traders may be professionals that work for large financial institutions, are trained by other professionals or mentors, do not use their own capital, or receive a base salary of approximately \$50,000 to \$70,000 as well as the possibility for bonuses of 10%–30% of the profits realized. Individuals can day trade with as little as \$100.

Futures contract

options are traded on futures, sometimes called simply "futures options". A put is the option to sell a futures contract, and a call is the option to

In finance, a futures contract (sometimes called futures) is a standardized legal contract to buy or sell something at a predetermined price for delivery at a specified time in the future, between parties not yet known to each other. The item transacted is usually a commodity or financial instrument. The predetermined price of the contract is known as the forward price or delivery price. The specified time in the future when delivery and payment occur is known as the delivery date. Because it derives its value from the value of the underlying asset, a futures contract is a derivative. Futures contracts are widely used for hedging price risk and for speculative trading in commodities, currencies, and financial instruments.

Contracts are traded at futures exchanges, which act as a marketplace between buyers and sellers. The buyer of a contract is said to be the long position holder and the selling party is said to be the short position holder. As both parties risk their counter-party reneging if the price goes against them, the contract may involve both parties lodging as security a margin of the value of the contract with a mutually trusted third party. For example, in gold futures trading, the margin varies between 2% and 20% depending on the volatility of the spot market.

A stock future is a cash-settled futures contract on the value of a particular stock market index. Stock futures are one of the high risk trading instruments in the market. Stock market index futures are also used as indicators to determine market sentiment.

The first futures contracts were negotiated for agricultural commodities, and later futures contracts were negotiated for natural resources such as oil. Financial futures were introduced in 1972, and in recent decades, currency futures, interest rate futures, stock market index futures, and perpetual futures have played an increasingly large role in the overall futures markets. Retail traders increasingly use futures contracts alongside options strategies to hedge positions, manage leverage, and scale entries in volatile markets. Even

organ futures have been proposed to increase the supply of transplant organs.

The original use of futures contracts mitigates the risk of price or exchange rate movements by allowing parties to fix prices or rates in advance for future transactions. This could be advantageous when (for example) a party expects to receive payment in foreign currency in the future and wishes to guard against an unfavorable movement of the currency in the interval before payment is received.

However, futures contracts also offer opportunities for speculation in that a trader who predicts that the price of an asset will move in a particular direction can contract to buy or sell it in the future at a price which (if the prediction is correct) will yield a profit. In particular, if the speculator is able to profit, then the underlying commodity that the speculator traded would have been saved during a time of surplus and sold during a time of need, offering the consumers of the commodity a more favorable distribution of commodity over time.

Interactive Brokers

and began trading on the Philadelphia Stock Exchange. In 1984, Timber Hill began coding a computerized stock index futures and options trading system and

Interactive Brokers, Inc. (IB) is an American multinational brokerage firm headquartered in Greenwich, Connecticut. It operates the largest electronic trading platform in the United States by number of daily average revenue trades. In 2024, the platform processed an average of 2.6 million trades per trading day. Interactive Brokers is the largest foreign exchange market broker and is one of the largest prime brokers servicing commodity brokers. The company brokers stocks, options, futures contracts, exchange of futures for physicals, options on futures, bonds, mutual funds, currency, cryptocurrency, contracts for difference, derivatives, and trading in prediction markets. Interactive Brokers offers direct market access, omnibus and non-disclosed broker accounts, and provides clearing services. The firm has operations in 36 countries and 28 currencies. As of December 31, 2024, it had 3.337 million institutional and individual brokerage customers, with total customer equity of US\$568.2 billion. In addition to its headquarters in Greenwich, on the Gold Coast of Connecticut, the company has offices in major financial centers worldwide. More than half of the company's customers reside outside the United States, in approximately 200 countries.

The broker was founded and is chaired by Thomas Peterffy, an early innovator in computer-assisted trading. Approximately 25.8% of the company is publicly held, while the remainder is owned by IBG Holdings LLC, which is 91.4% owned by Thomas Peterffy and affiliates. Interactive Brokers is ranked 473rd on the Fortune 500.

The company traces its roots to T.P. & Co., a market maker founded in 1977 and renamed Timber Hill Inc. in 1982. In 1979, it became the first to use fair value pricing sheets on a stock exchange trading floor. In 1983, it became the first to use handheld computers for trading. In 1987, Peterffy also created the first fully automated algorithmic trading system, to automatically create and submit orders to a market. Between 1993 and 1994, the corporate group Interactive Brokers Group was created, and the subsidiary Interactive Brokers LLC was created to control its electronic brokerage, and to keep it separate from Timber Hill, which conducts market making. In 2014, Interactive Brokers became the first online broker to offer direct access to IEX, a private forum for trading securities. In 2021, the company launched trading in cryptocurrencies, including Bitcoin and Ethereum.

Mark Rubinstein

generally. His book Option Markets, was “the first work that popularized probabilistic and scientific methods in options, helping inaugurate the derivatives revolution

Mark Edward Rubinstein (June 8, 1944 – May 9, 2019) was a leading financial economist and financial engineer. He was Paul Stephens Professor of Applied Investment Analysis at the Haas School of Business of the University of California, Berkeley.

He held various other professional offices, directing the American Finance Association, amongst others, and was editor of several first-tier academic journals including both the Journal of Financial Economics and the Journal of Finance.

He was the author of numerous papers and four books.

Rubinstein was a senior and pioneering academic in the field of finance, focusing on derivatives, particularly options, and was known for his contributions to both theory and practice, especially portfolio insurance and the binomial options pricing model (also known as the Cox-Ross-Rubinstein model), as well as his work on discrete time stochastic calculus more generally.

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Along with fellow Berkeley finance professor Hayne E. Leland and adjunct professor John O'Brien, Rubinstein developed the portfolio insurance financial product in 1976. (This strategy later became associated with the October 19, 1987, Stock Market Crash; see Black Monday (1987) § Causes). With Leland and O'Brien he also introduced the first exchange-traded fund (ETF) in the United States. Rubinstein popularized the term "exotic option" in 1990/92 working paper "Exotic Options" (with Eric Reiner), with the term based either on "exotic wagers" in Horse racing, or due to the use of international terms such as "Asian option", suggesting the "exotic Orient".

Rubinstein had been on the Haas faculty since 1972.

He was instrumental in building the Haas-Berkeley Master of Financial Engineering (MFE) Program, focused on equipping candidates with skills in financial engineering for careers as quants; he was also involved in teaching courses on the program; and previously various other finance courses, both on the Haas-MBA and at Berkeley.

The Berkeley-MFE was considered by many as the number one financial engineering program in the US.

He held a BA in economics from Harvard University magna cum laude , an MBA in finance from Stanford University, and a PhD in finance from the University of California, Los Angeles.

Insider trading

Insider trading is the trading of a public company's stock or other securities (such as bonds or stock options) based on material, nonpublic information

Insider trading is the trading of a public company's stock or other securities (such as bonds or stock options) based on material, nonpublic information about the company. In many countries, some kinds of trading based on insider information are illegal. The rationale for this prohibition of insider trading differs between countries and regions. Some view it as unfair to other investors in the market who do not have access to the information, as the investor with inside information can potentially make larger profits than an investor without such information. However, insider trading is also prohibited to prevent the directors of a company (the insiders) from abusing a company's confidential information for the directors' personal gain.

The rules governing insider trading are complex and vary significantly from country to country, as does the extent of enforcement. The definition of 'insider' in one jurisdiction can be broad and may cover not only insiders themselves but also any persons related to them, such as brokers, associates, and even family members. In some jurisdictions, a person who becomes aware of non-public information and then trades on

that basis may be guilty of a crime.

Trading by specific insiders, such as employees, is commonly permitted as long as it does not rely on material information not available to the general public. Many jurisdictions require that such trading be reported so the transactions can be monitored. In the United States and several other jurisdictions, trading conducted by corporate officers, key employees, directors, or significant shareholders must be reported to the regulator or publicly disclosed, usually within a few business days of the trade. In such cases, insiders in the United States are required to file Form 4 with the U.S. Securities and Exchange Commission (SEC) when buying or selling shares of their own companies. The authors of one study concluded that illegal insider trading raises the cost of capital for securities issuers, thus decreasing overall economic growth. On the other hand, some economists, such as Henry Manne, have argued that insider trading should be allowed and can, in fact, benefit markets.

There has long been "considerable academic debate" among business and legal scholars over whether insider trading should be illegal. Several arguments against outlawing insider trading have been identified: for example, although insider trading is illegal, most insider trading is never detected by law enforcement, and thus the illegality of insider trading might give the public the potentially misleading impression that "stock market trading is an unrigged game that anyone can play." Some legal analysis has questioned whether insider trading actually harms anyone in the legal sense, since it can be argued either that insider trading does not cause anyone to suffer an actual "loss" or that anyone who suffers a loss is not owed an actual legal duty by the insiders in question. Opponents of political insider trading also point to conflicts of interest and social distrust.

National Stock Exchange of India

such as arbitrage, short selling, high-frequency trading, front running, churning, scalping, wash trading, spoofing, and layering, often leveraging sophisticated

National Stock Exchange of India Limited, also known as the National Stock Exchange (NSE), is an Indian stock exchange based in Mumbai. It is the 5th largest stock exchange in the world by total market capitalization, exceeding \$5 trillion in May 2024.

NSE is under the ownership of various financial institutions such as banks and insurance companies. As of 2024, it is the world's largest derivatives exchange by number of contracts traded and the third largest in cash equities by number of trades for the calendar year 2023.

Dow Jones Industrial Average

1987 market crash”[. CNBC. Archived from the original on March 12, 2020. Retrieved March 12, 2020.](#)
“Stocks plunge at market open, trading halts after Dow

The Dow Jones Industrial Average (DJIA), Dow Jones, or simply the Dow (), is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

The DJIA is one of the oldest and most commonly followed equity indices. It is price-weighted, unlike other common indexes such as the Nasdaq Composite or S&P 500, which use market capitalization. The primary pitfall of this approach is that a stock's price—not the size of the company—determines its relative importance in the index. For example, as of March 2025, Goldman Sachs represented the largest component of the index with a market capitalization of ~\$167B. In contrast, Apple's market capitalization was ~\$3.3T at the time, but it fell outside the top 10 components in the index.

The DJIA also contains fewer stocks than many other major indexes, which could heighten risk due to stock concentration. However, some investors believe it could be less volatile when the market is rapidly rising or falling due to its components being well-established large-cap companies.

The value of the index can also be calculated as the sum of the stock prices of the companies included in the index, divided by a factor, which is approximately 0.163 as of November 2024. The factor is changed whenever a constituent company undergoes a stock split so that the value of the index is unaffected by the stock split.

First calculated on May 26, 1896, the index is the second-oldest among U.S. market indexes, after the Dow Jones Transportation Average. It was created by Charles Dow, co-founder of The Wall Street Journal and Dow Jones & Company, and named after him and his business associate, statistician Edward Jones.

The index is maintained by S&P Dow Jones Indices, an entity majority-owned by S&P Global. Its components are selected by a committee that includes three representatives from S&P Dow Jones Indices and two representatives from the Wall Street Journal. The ten components with the largest dividend yields are commonly referred to as the Dogs of the Dow. As with all stock prices, the prices of the constituent stocks and consequently the value of the index itself are affected by the performance of the respective companies as well as macroeconomic factors.

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