

## Guided Notes – Stock Market

	SAVING	INVESTING
EXAMPLE	Setting money aside in a <b>savings account</b> .	Purchasing a <b>share in stocks</b> .
GOAL	Paying for a <b>planned expense</b> or an emergency.	Making <b>financial returns</b> on the initial investment.
RISK	Low	Medium to High
RETURNS	<input type="text"/>	<input type="text"/>
LIQUIDITY	<input type="text"/>	<input type="text"/>

### Risk vs. Return

- The \_\_\_\_\_ the risk the \_\_\_\_\_ the return
- A Savings Account earning 0.09% interest (Insured by FDIC up to \$250,000)
- The \_\_\_\_\_ the risk the \_\_\_\_\_ the return
- Investing in the Stock Market hoping for large returns, but no guarantee

### Investing

An \_\_\_\_\_ is the act of putting money to work to start or expand a business or project or the purchase of an \_\_\_\_\_, with the goal of earning \_\_\_\_\_ or capital appreciation.

**Stock Market** - A collection of buyers and sellers of investments

**NYSE**- New York Stock Exchange

- Biggest
- Oldest

**NASDAQ**

- Primarily online
- "Newer" Companies

### Common Investments:

\_\_\_\_\_ - Represents part ownership in a corporation

\_\_\_\_\_ - Lending money to another entity for an agreed upon time frame and return

\_\_\_\_\_ - Pooling money together with other investors to purchase a pre-determined collection of investments

## What is a share of Stock?

Stocks or **shares of stock**, represent the \_\_\_\_\_ ownership of a corporation divided up into units, so that multiple people can own a \_\_\_\_\_ of a business.

Why buy a stock?

You will have...

- Possibility to sell shares at a higher price later. (buy \_\_\_\_\_, sell \_\_\_\_\_)
- May receive \_\_\_\_\_ (profit or AKA earnings)
- Possible claim on assets
- Voting rights

## Preferred vs Common Stock

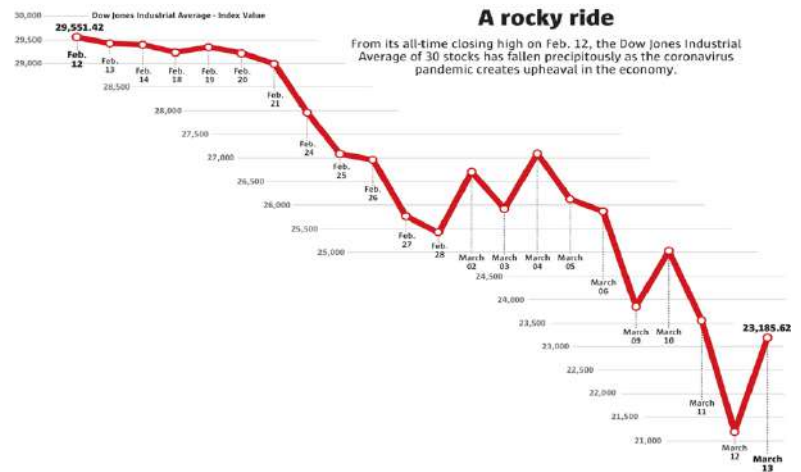
	Preferred Stock	Common Stock
Advantages	Preference over common in liquidation	Voting Rights
	Stated dividend	Rights to residual profits (after preferred)
	Preference over common in dividend payout	
Disadvantages	Subordinate to debt in liquidation	Last in liquidation
	Stated dividend can be skipped	No guaranteed return
	No voting rights (versus common)	
Debt or Equity?	Components of both	
	Usually classified as equity	

Where Are Stocks Bought & Sold?

- **New York Stock Exchange (NYSE)**
  - Oldest, largest exchange
  - A designated section on a stock exchange floor where \_\_\_\_\_ can take place with real-time transactions. \_\_\_\_\_ or individuals representing a brokerage will \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ stocks with one another. \_\_\_\_\_ are common sights at most stock exchanges as individuals work aggressively during a specific session to get the best deals for their clients. Some stocks exchanges have multiple trading posts
- **NASDAQ**
- **Pure Electronic Exchange**
- The Nasdaq is also a term that can refer to two different things: first, it is the *National Association of Securities Dealers Automated Quotations* exchange, the first \_\_\_\_\_ exchange that allowed investors to buy and sell stock on a computerized, speedy, and transparent system, without the need for a physical trading floor. The second reference is to an \_\_\_\_\_. When you hear people say that the "the Nasdaq is up today," they are referring to the Nasdaq Composite Index, which, like the DOW Jones Industrial Average (DJIA), is a \_\_\_\_\_ of a portion of the stock market.

## What affects the Price of a Stock?

- Fundamentally:
  - Supply and Demand
- Demand is effected by...
  - Company Health & Outlook
    - ( )
  - Industry Trends
  - \_\_\_\_\_
  - National & World Events
  - \_\_\_\_\_



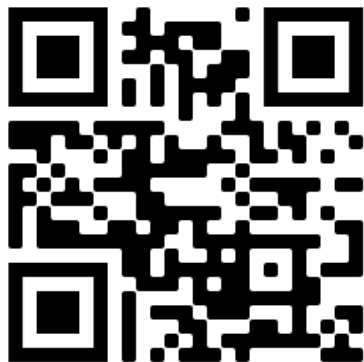
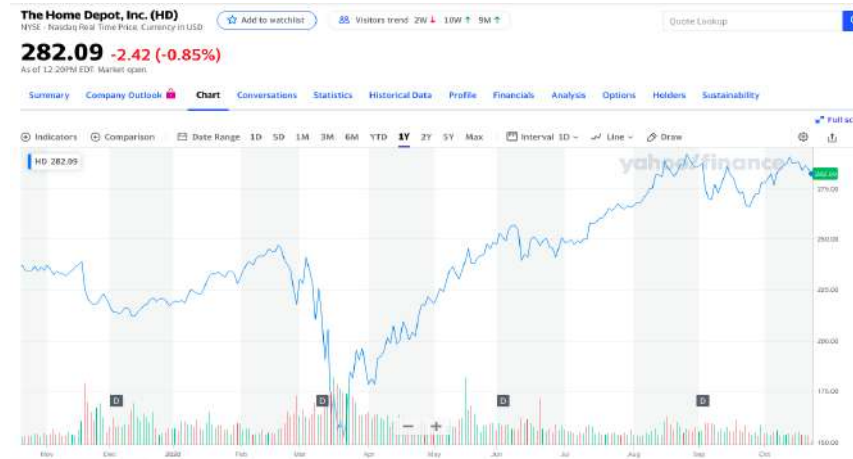
## Pros & Cons of Investing in STOCKS

- Advantages:
  - Medium to High return potential
  - Historically \_\_\_\_\_ return
- Highly Liquid
  - Disadvantage:
    - Medium to High risk
    - Highly volatile

## Yahoo Finance

Let's Explore some Stocks

<https://finance.yahoo.com/>



## Growth Stocks

- Young, entrepreneurial companies
- High Growth Potential
- Example: *Tech start-ups*
- High Risk / High Return
- Good for risk takers who could afford a loss.

## Income Stocks

- Older, stable companies
- High dividends, low growth
- *Low Risk/Low Return*
- *Good for older investors*

## Blue-Chip Stocks

- Well Known, reliable companies
- Small but regular dividends
- Steady growth
- *Medium risk / Medium Return*
- *Good for long term investors who don't want to much risk*

## What is a Mutual Fund?

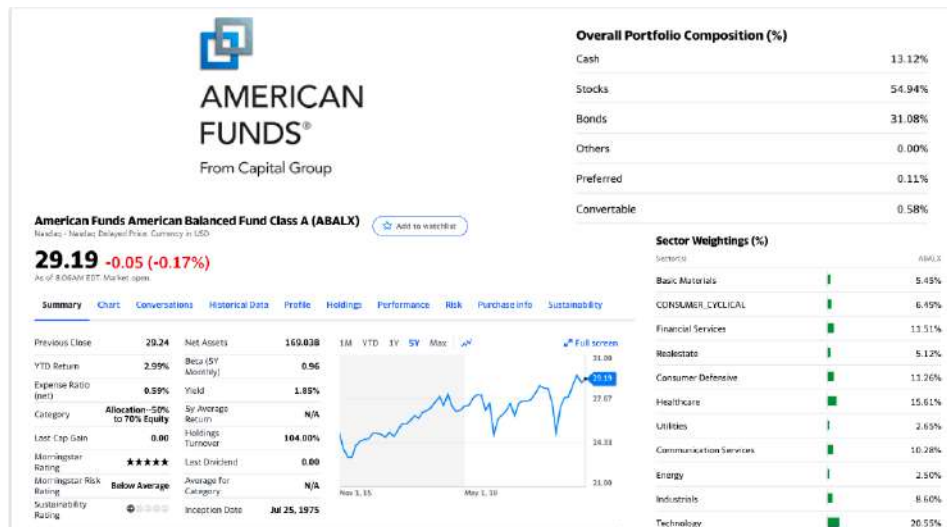
**Mutual funds work** by \_\_\_\_\_ your money with the money of other \_\_\_\_\_ and investing it in a portfolio of other assets (e.g., stocks, bonds). This means you'll be able to invest in portfolios that you wouldn't be able to afford alone because you're investing alongside other investors.

\_\_\_\_\_ - Managed by a Portfolio Manager to balance the performance and optimize the potential gains

\_\_\_\_\_ - Funds created and left to grow without re-balancing or adjustment.

## Types of Mutual Funds

- 1.
- 2.
- 3.
- 4.
- 5.



## What is an ETF?

An ETF is a \_\_\_\_\_ of \_\_\_\_\_, shares of which are sold on an exchange. They combine features and potential benefits of **stocks**, **mutual funds**, or bonds. Like individual **stocks**, ETF shares are traded throughout the day at prices that change based on \_\_\_\_\_ and \_\_\_\_\_.

## Buying Stocks

### Broker

- A \_\_\_\_\_ professional that buys and sell stocks for investors.
- Example: Charles Schwab, Edward Jones, Fidelity

### Online

- A \_\_\_\_\_ that allows users to buy and sell stocks.
- Example: Ameritrade, E-Trade

## Stock Split

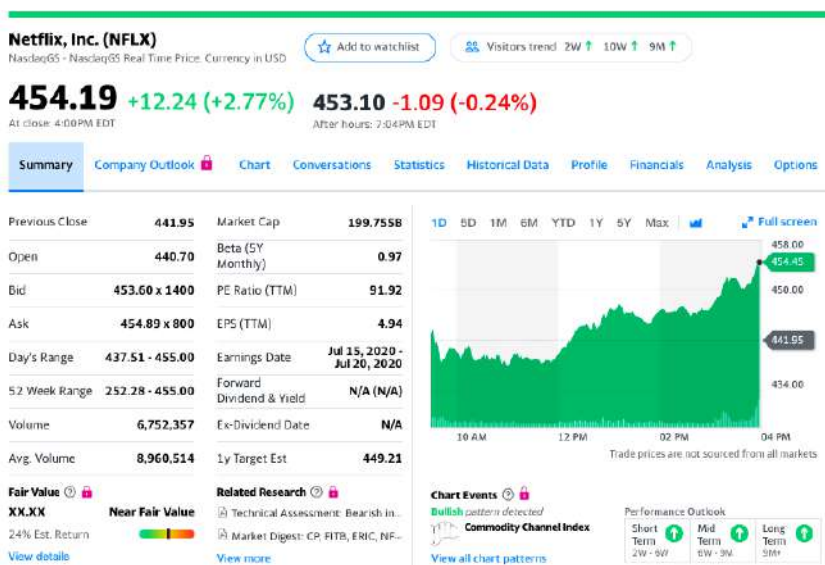
- Decision made by the company's board of directors to \_\_\_\_\_ the number of shares that are outstanding by issuing \_\_\_\_\_ shares to current shareholders
- 2-for-1 stock split
- Company had 10 million shares before the split, it will have 20 million shares after the 2-for-1 split
- Price will initially drop due to higher supply
- More affordable to small investors



## Reading a Stock Chart (label each part with the assigned number 1 thru 11)

1. Company Name (Ticker Symbol)
2. Stock Exchange traded on
3. Current Price Per Share
4. \$ Gain/Loss (%Change)
5. Closing Price
6. Opening Price
7. Price Range throughout the day
8. Price Range throughout the past 365 days
9. Chart Timeline
  - 1-Day
  - 5-Days
  - 1-Month
  - 6-Months
  - Year Beginning to Today
  - 1-Year
  - 5-Years
  - Maximum Time
10. Closing Price
11. Opening Price

**Green** is GOOD! (**Red** is BAD)



## What is the DOW?

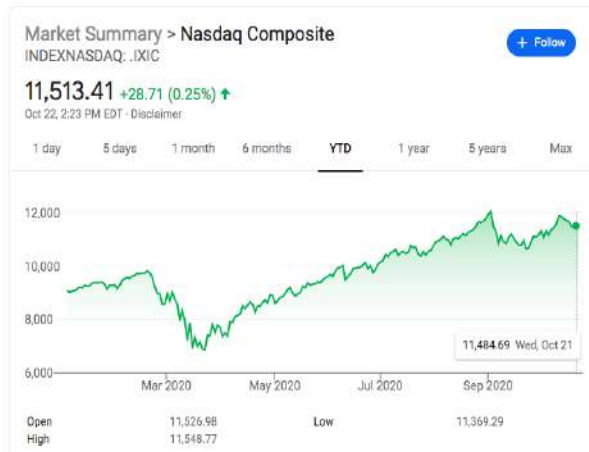
The Dow Jones Industrial Average, Dow Jones, or simply the Dow, is a stock market index that measures the stock performance of \_\_\_\_\_ companies listed on stock exchanges in the United States.





## What is the NASDAQ Index?

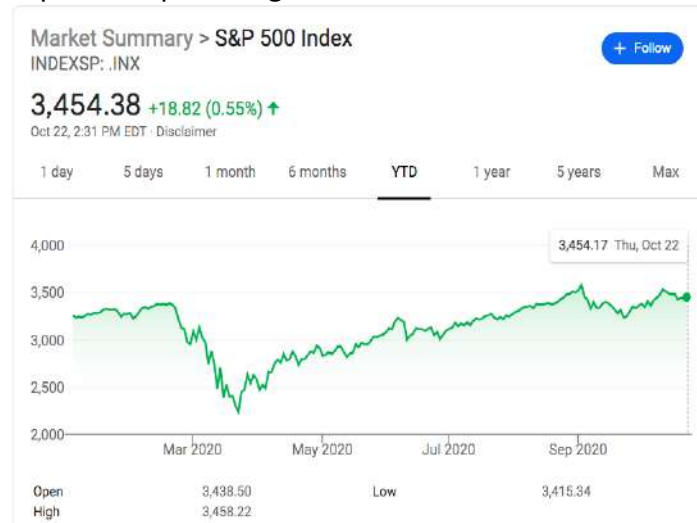
The NASDAQ Composite is a \_\_\_\_\_ that includes almost all stocks listed on the Nasdaq stock market.



## What is the S&P 500 Index?

The S&P 500, or simply the S&P, is a \_\_\_\_\_ that measures the stock performance of \_\_\_\_\_ large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

**Standard and Poor's** (commonly known as S&P) is one of the most prominent financial intelligence companies in the world. S&P is a division of the McGraw-Hill Companies and has more than 150 years of experience providing financial services to investors worldwide.



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## Diversify your Portfolio!

\_\_\_\_\_ - is a risk management strategy that mixes a wide variety of investments within a portfolio. A **diversified** portfolio contains a mix of different types of investments (Stocks, Bonds & Mutual Funds)