



Investing in the Stock Market

Critical Learning Standards

1. Understand the difference between Savings and Investing
2. Explain how risk vs return is different between Savings and Investing
3. Contrast the following forms of investments: a) bond, b) stock, and c) mutual Fund
1. Identify the types of Stocks (Income, Growth, Blue-Chip)
2. Understand how a stock-split works
3. Understand how to buy and sell stocks
4. Understand what diversification means in relation to investing
5. Identify the market indexes that measure our stock market (S&P 500, Dow Jones Industrial Average, Nasdaq)
6. Given a stock quote, identify each of the following: 52-week high; 52-week low; stock name; dividend; high; low; last; and change.

SAVING VS. INVESTING

	SAVING	INVESTING
EXAMPLE	Setting money aside in a savings account .	Purchasing a share in stocks .
GOAL	Paying for a planned expense or an emergency.	Making financial returns on the initial investment.
RISK	Low	Medium to High
RETURNS	Low	Can be higher
LIQUIDITY	High	Low

RISK VS. RETURN

- The **S M A L L E R** the risk the **S M A L L E R** the return
A Savings Account earning 0.09% interest (Insured by FDIC up to \$250,000)

- The **B I G G E R** the risk the **B I G G E R** the return
Investing in the Stock Market hoping for large returns, but no guarantee



INVESTING

An **investment** is the act of putting money to work to start or expand a business or project or the purchase of an asset, with the goal of earning income 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

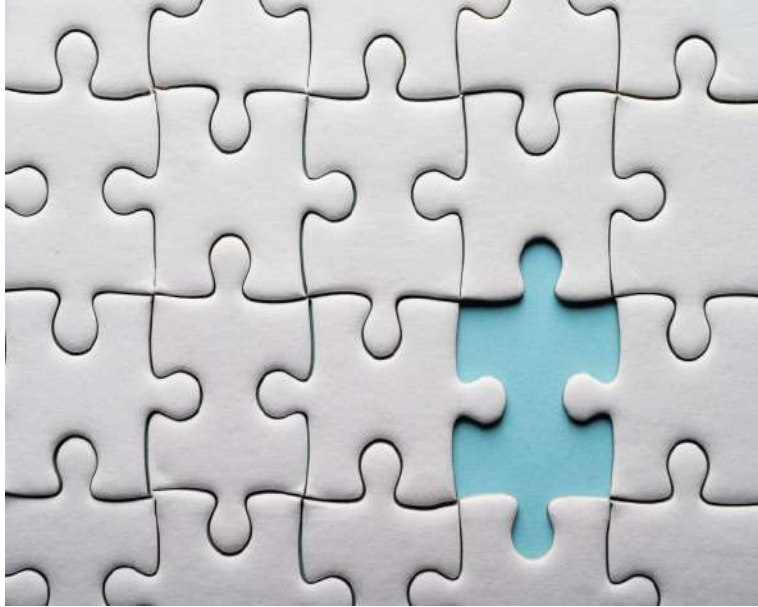
Stocks- Represents part ownership in a corporation

Bonds- Lending money to another entity for a agreed upon time frame and return

Mutual Fund- 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 equity ownership of a corporation divided up into units, so that multiple people can own a **percentage** of a business.



Why buy a stock?

You will have...

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

Preferred Stock 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 trades can take place with real-time transactions. **Brokers** or individuals representing a brokerage buy, sell, and **trade** stocks with one another. **Trading** posts 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



Where Are Stocks Bought & Sold?

- NASDAQ

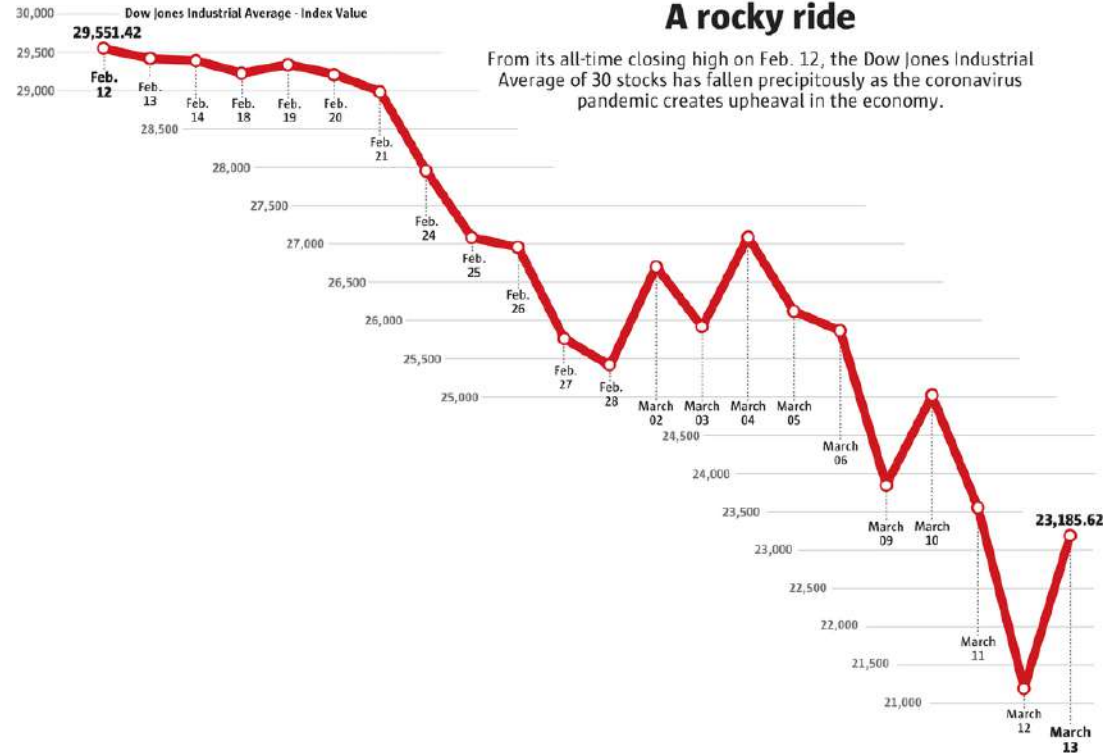
- Pure Electronic Exchange

- 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 electronic exchange that allowed investors to buy and sell stock on a computerized, speedy, and transparent system, without the need for a physical trading floor.³ The second reference is to an index. When you hear people say that the "the Nasdaq is up today," they are referring to the Nasdaq Composite Index, which, like the DJIA, is a statistical measure 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 (Revenue Growth)
 - Industry Trends
 - Economy
 - National & World Events
 - *Confidence and Fear*



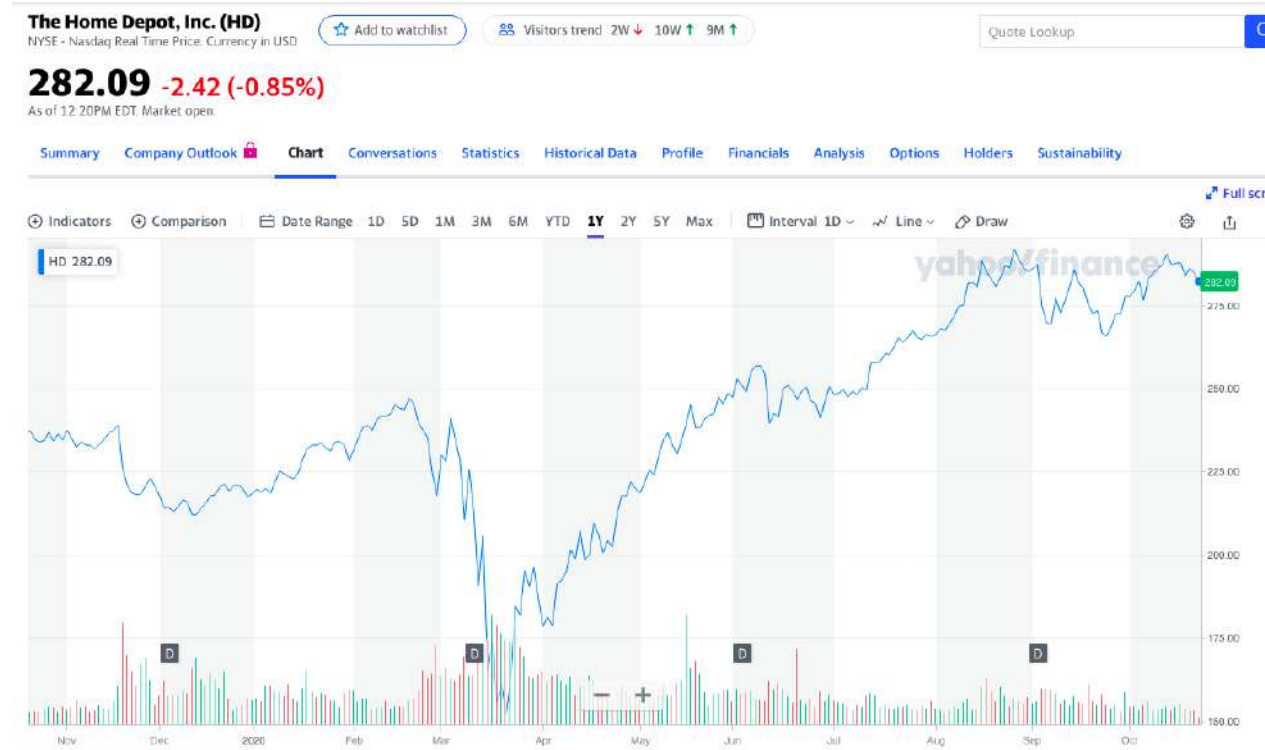
Pros & Cons of Investing in STOCKS

- **Advantages:**

- Medium to High return potential
 - Historically 10%-12% return
- Highly Liquid

- **Disadvantage:**

- Medium to High risk
- Highly volatile



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

- Stocks tracked by the DOW JONES INDEX
- Well Known, reliable companies
- Small but regular dividends
- Steady growth
- Medium risk / Medium Return
- Good for long term investors who don't want



WHAT IS A MUTUAL FUND?

Mutual funds work by **pooling** your money with the money of other **investors** 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.

Active Funds- Managed by a Portfolio Manager to balance the performance and optimize the potential gains

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



Types of Mutual Funds

Bonds (income)

Balanced (bonds and stocks)

Equity (stocks)

International

Index (*S&P 500, DOW JONES*)



AMERICAN FUNDS®

From Capital Group

American Funds American Balanced Fund Class A (ABALX)

Nasdaq - Nasdaq Delayed Price. Currency in USD

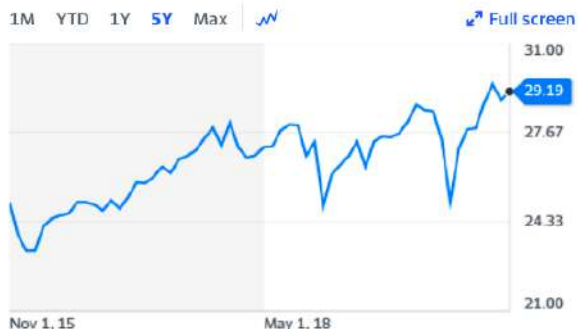
29.19 -0.05 (-0.17%)

As of 8:06AM EDT. Market open.

☆ Add to watchlist

[Summary](#) [Chart](#) [Conversations](#) [Historical Data](#) [Profile](#) [Holdings](#) [Performance](#) [Risk](#) [Purchase info](#) [Sustainability](#)

Previous Close	29.24	Net Assets	169.03B
YTD Return	2.99%	Beta (5Y Monthly)	0.96
Expense Ratio (net)	0.59%	Yield	1.85%
Category	Allocation--50% to 70% Equity	5y Average Return	N/A
Last Cap Gain	0.00	Holdings Turnover	104.00%
Morningstar Rating	★★★★★	Last Dividend	0.00
Morningstar Risk Rating	Below Average	Average for Category	N/A
Sustainability Rating	🌐🌱🌿🍃🌳	Inception Date	Jul 25, 1975



Overall Portfolio Composition (%)

Cash	13.12%
Stocks	54.94%
Bonds	31.08%
Others	0.00%
Preferred	0.11%
Convertible	0.58%

Sector Weightings (%)

Sector(s)	ABALX
Basic Materials	5.45%
CONSUMER_CYCLICAL	6.49%
Financial Services	11.51%
Realestate	5.12%
Consumer Defensive	11.26%
Healthcare	15.61%
Utilities	2.65%
Communication Services	10.28%
Energy	2.50%
Industrials	8.60%
Technology	20.55%

Buying Stocks

Broker

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



Pro	Con
Expertise	High Fees & Commissions



Buying Stocks

Online

- A website or App that allows users to buy and sell stocks.
 - Example: Ameritrade, E-Trade, Robinhood, Acorns, Stash,
 - Many offer commission free trading



Ameritrade

Pro	Con
Low cost	Limited Assistance



E*TRADE®

Stock Split

- Decision made by the company's board of directors to increase the number of shares that are outstanding by issuing more 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
 - But your stock price will drop in half, so \$100 share of stock will now be worth \$50 a share
 - But you have doubled your shares!
- Price will initially drop due to higher supply
- More affordable to small investors



- The hope is the stock price will increase after the split and you will have double the shares to reap a greater return on your investment

READING A STOCK CHART

Netflix, Inc. (NFLX)

NasdaqGS - NasdaqGS Real Time Price. Currency in USD

☆ Add to watchlist

👤 Visitors trend 2W ↑ 10W ↑ 9M ↑

454.19 **+12.24 (+2.77%)** **453.10** **-1.09 (-0.24%)**

At close: 4:00PM EDT

After hours: 7:04PM EDT

Summary

Company Outlook 🔒

Chart

Conversations

Statistics

Historical Data

Profile

Financials

Analysis

Options

Previous Close	441.95	Market Cap	199.755B
Open	440.70	Beta (5Y Monthly)	0.97
Bid	453.60 x 1400	PE Ratio (TTM)	91.92
Ask	454.89 x 800	EPS (TTM)	4.94
Day's Range	437.51 - 455.00	Earnings Date	Jul 15, 2020 - Jul 20, 2020
52 Week Range	252.28 - 455.00	Forward Dividend & Yield	N/A (N/A)
Volume	6,752,357	Ex-Dividend Date	N/A
Avg. Volume	8,960,514	1y Target Est	449.21

Fair Value ⓘ 🔒

XX.XX

24% Est. Return

[View details](#)

Near Fair Value



Related Research ⓘ 🔒

📄 Technical Assessment: Bearish in...

📄 Market Digest: CP, FITB, ERIC, NF...

[View more](#)



Chart Events ⓘ 🔒

Bullish pattern detected



Commodity Channel Index

[View all chart patterns](#)

Performance Outlook

Short Term
2W - 6W

Mid Term
6W - 9M

Long Term
9M+

Company Name (Ticker Symbol)

Stock Exchange traded on

Current Price Per Share

\$ **Gain/Loss** (%Change)

Closing Price

Opening Price

Price Range throughout the day

Price Range throughout the past 365 days

Netflix, Inc. (NFLX)

NasdaqGS - NasdaqGS Real Time Price. Currency in USD

454.19 **+12.24 (+2.77%)**

At close: 4:00PM EDT

Previous Close 441.95

Open 440.70

Bid 453.60 x 1400

Ask 454.89 x 800

Day's Range 437.51 - 455.00

52 Week Range 252.28 - 455.00

Volume 6,752,357

Avg. Volume 8,960,514

Fair Value ?

XX.XX

Near Fair Value

24% Est. Return



[View details](#)

Bid = Buyer

Ask = Seller

**Total
Shares
Traded for
Day**

READING A STOCK CHART



Chart Timeline

- 1-Day
- 5-Days
- 1-Month
- 6-Months
- Year Beginning to Today
- 1-Year
- 5-Years
- Maximum Time

Closing Price

Opening Price

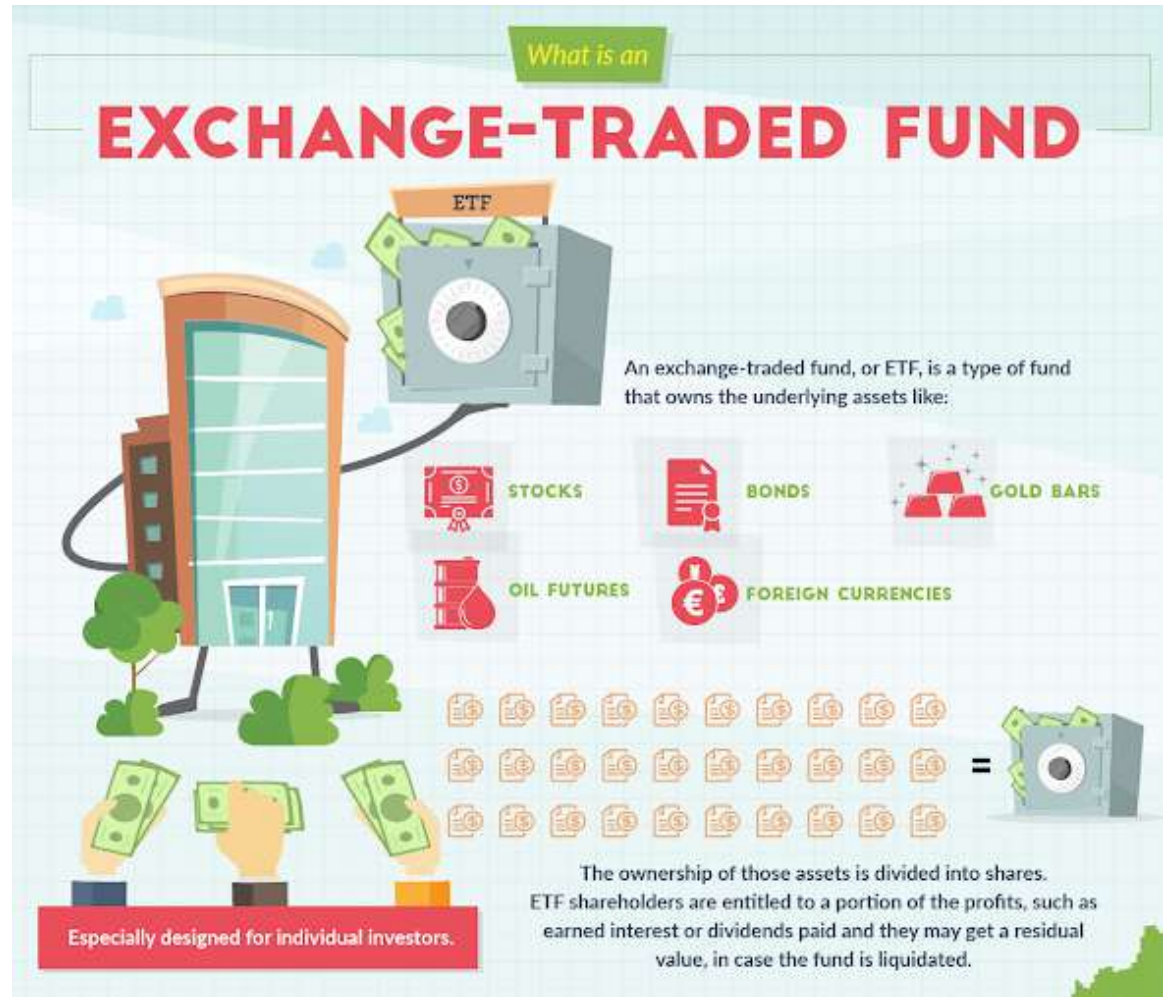
Green is a **GAIN!** (Red is a **LOSS**)

Timeline

What is an ETF?

An ETF is a basket of securities, 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 supply and demand

<https://www.visualcapitalist.com/what-is-an-etf/>



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 30 large companies listed on stock exchanges in the United States.

Dow Jones Industrial Average (^DJI) ★

DJI - DJI Real Time Price. Currency in USD

34,024.34 -87.93 (-0.26%)

As of 10:45AM EST. Market open.

Indicators Comparison Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max 1W v v



Top 10 Companies in the Dow Index

by market capitalization - Feb 2020

Company	Industries	Market Cap. (\$)
1. Microsoft	Systems Software	1,428 T
2. Apple	Technology Hardware	1,400 T
3. Visa	Data Processing & Services	449.3 B
4. JPMorgan	Diversified Banks	423.0 B
5. Johnson & Johnson	Pharmaceuticals	398.6 B
6. Walmart	Hypermarkets & Super Centers	330.4 B
7. Procter & Gamble	Personal Products	311.3 B
8. Intel	Semiconductors	281.3 B
9. United Health Group	Managed Health Care	274.0 B
10. Exxon Mobil	Integrated Oil & Gas	260.3 B

Top 10 public listed companies in the Dow Jones index by market capitalization as of 1 Feb. 2020

DISFOLD

The NASDAQ Index

The NASDAQ Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock market. Along with the Dow Jones Industrial Average and S&P 500 Index, it is one of the three most-followed stock market indices in the United States.

NASDAQ Composite (^IXIC)

Nasdaq GIDS - Nasdaq GIDS Real Time Price. Currency in USD

★ Following

13,645.65 -4.76 (-0.03%)

As of 10:53AM EST. Market open.

Summary Chart Conversations Historical Data Options Components

Previous Close	13,650.41	Day's Range	13,617.86 - 13,694.79
Open	13,693.70	52 Week Range	10,207.47 - 14,446.55
Volume	1,464,634,000	Avg. Volume	4,591,301,875



Can I buy Nasdaq index?

The easiest way to invest in the **Nasdaq Composite Index** is to **buy** an **index** fund: a mutual fund or ETF that passively tracks the **index**. Oct 5, 2020

What companies make up the Nasdaq 100 index?

With category-defining companies on the forefront of innovation—**Apple**, Microsoft, Alphabet, **Intel**, Facebook, **Amgen**, Starbucks, **Tesla**—the Nasdaq-100 index defines today's modern day industrials.

The S&P 500 Index

The S&P 500, or simply the S&P, is a stock market index that measures the stock performance of 500 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.

How can I invest in the S&P 500?

You **can invest** in an **S&P 500** index fund that mimics the performance of the **S&P 500**. Instead of purchasing **500+** separate stocks (which are ever-changing anyhow), **it's** an opportunity to **invest** in a single fund.

S&P 500 (^GSPC)

SNP - SNP Real Time Price. Currency in USD

☆ Follow

4,378.47 -4.31 (-0.10%)

As of 10:56AM EST. Market open.

Summary

Chart

Conversations

Historical Data

Options

Components

Previous Close	4,382.78	Day's Range	4,370.56 - 4,393.40
Open	4,391.41	52 Week Range	3,764.49 - 4,607.07
Volume	520,677,022	Avg. Volume	3,705,187,187



- Vanguard 500 Index Fund Investor Shares (VFINX)
- Fidelity 500 Index Fund (FXAIX) The fund's perform
- SPDR S&P 500 ETF (SPY) ...
- Schwab S&P 500 Index Fund (SWPPX) ...
- iShares Core S&P 500 ETF (IVV)

What conclusions
can you extract
from the chart
between the
Nasdaq, S&P 500
and Dow Jones?

Before, During and
After the COVID
Pandemic?

Has the Stock Market Moved On From COVID-19?

Year-to-date performance of major U.S. stock market
indices as of June 10, 2020



Source: Yahoo! Finance



SMART INVESTING



Do your research!

Follow the News!

Diversify your Portfolio!

Diversification- 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)

SCHOOLLOGY ASSIGNMENT:

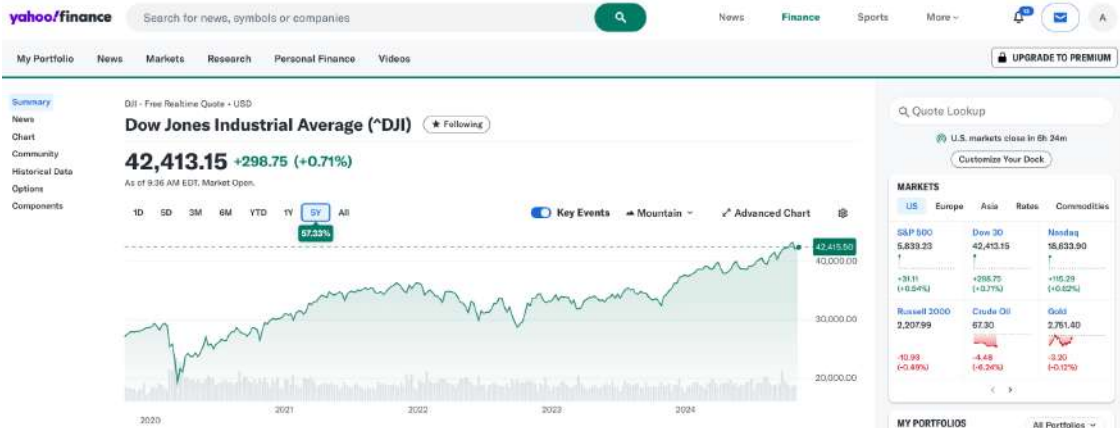
TAKE THE CONTENT CHECK: 4.3

Let's Explore Stocks

Core Trading Session: 9:30 a.m. to 4:00 p.m. ET

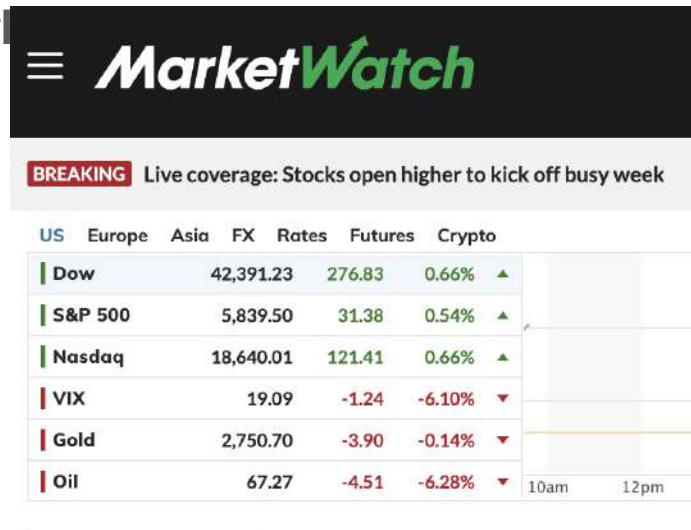
Yahoo Finance

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



www.marketwatch.com

Mar



SCHOOLGY ASSIGNMENT:

4.3 - ANALYZING STOCK TABLE

Analyzing Stock Tables			
Directions: Use the Yahoo Finance or Stocks App to get detailed stock quotes for McDonald's, Chipotle, and a company of your choosing. Complete the table by answering the following questions. You can also visit Yahoo Finance on Safari by clicking here .			
			Company of your Choice <hr/>
What is the company's stock symbol?			
What is the name of the stock exchange on which the company is presently trading?			
What is the current market price of the stock at this moment?			