



# 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. 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 <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	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

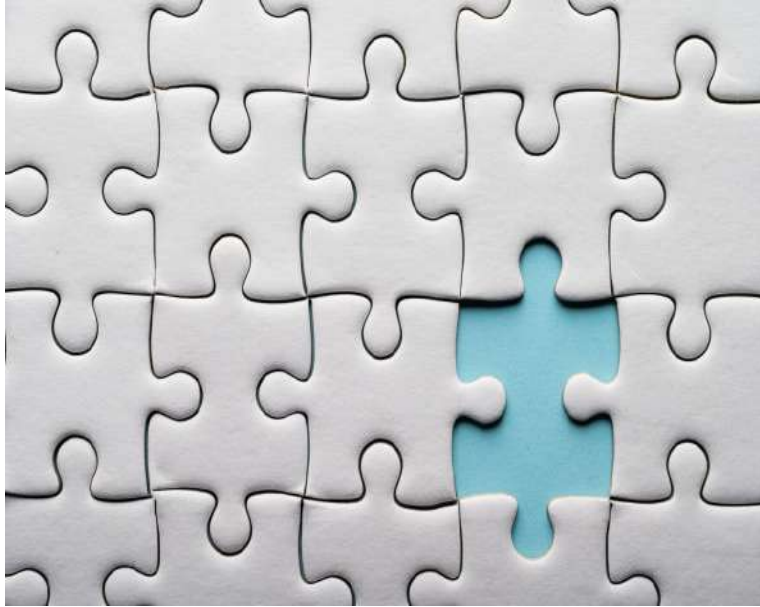
**Stocks-** Represents part ownership in a corporation

**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

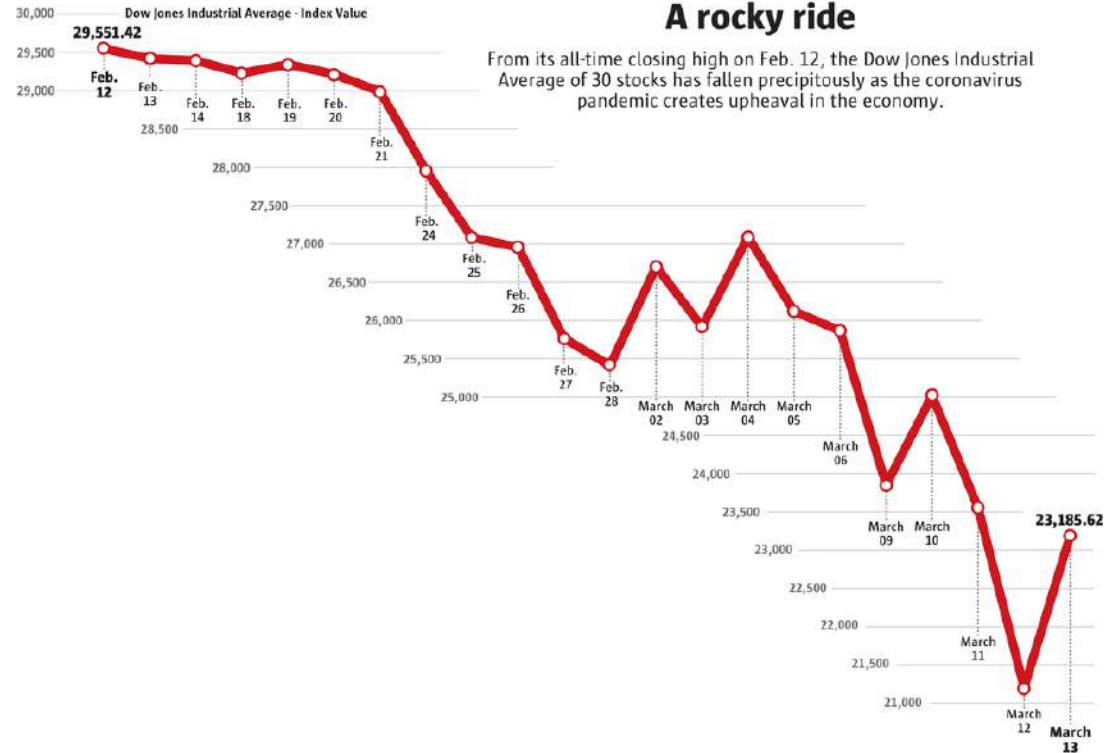
- Pure Electronic Exchange

- 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.<sup>3</sup> 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*



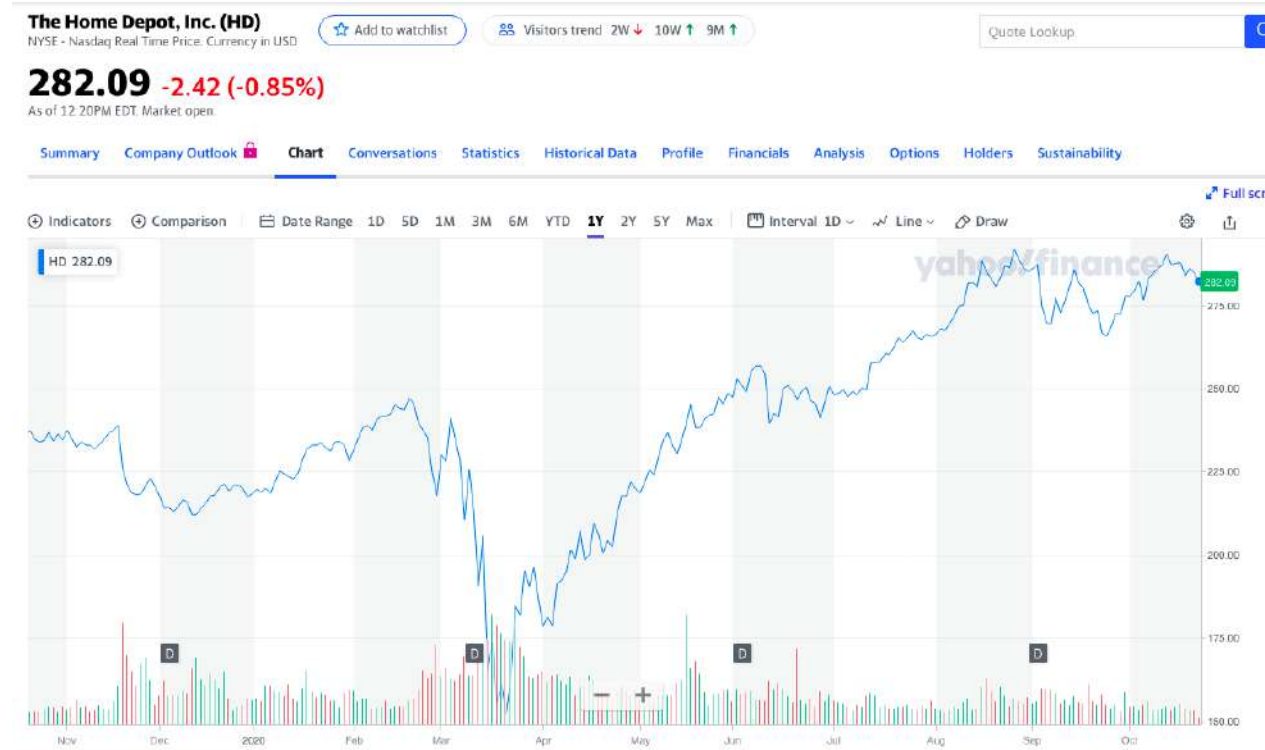
# Pros & Cons of Investing in STOCKS

- **Advantages:**

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

- **Disadvantage:**

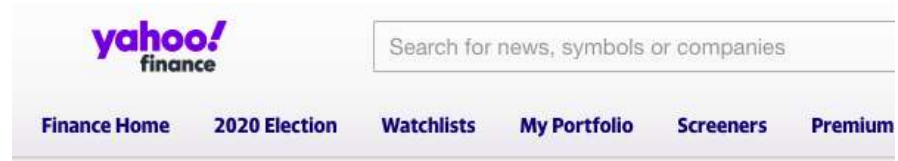
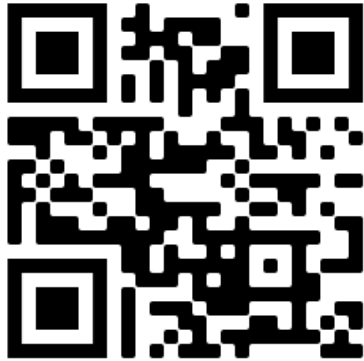
- Medium to High risk
- Highly volatile



# Yahoo Finance

Let's Explore some Stocks

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



Advertisement

S&P 500

3,447.82

-5.67 (-0.16%)



Dow 30

28,213.83

-149.83 (-0.53%)



Nasdaq

11,474.96

-31.05 (-0.27%)



# 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 do*



# 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 (aka income)**

**Balanced (bonds and stocks)**

**Equity (stocks)**

**International**

**Index (low fees) *e.g S&P 500***



# AMERICAN FUNDS®

From Capital Group

## American Funds American Balanced Fund Class A (ABALX)

Nasdaq - Nasdaq Delayed Price. Currency in USD

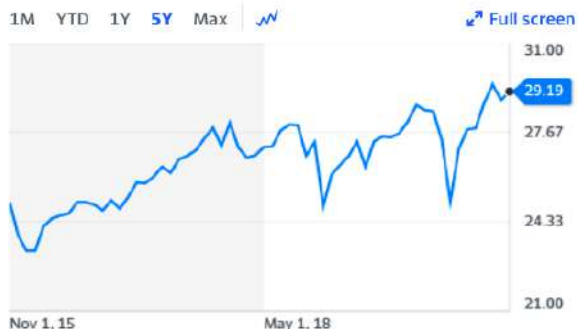
**29.19** -0.05 (-0.17%)

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%

# 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/>



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



Pro	Con
Low cost	Limited Assistance



# 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



# 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](#)

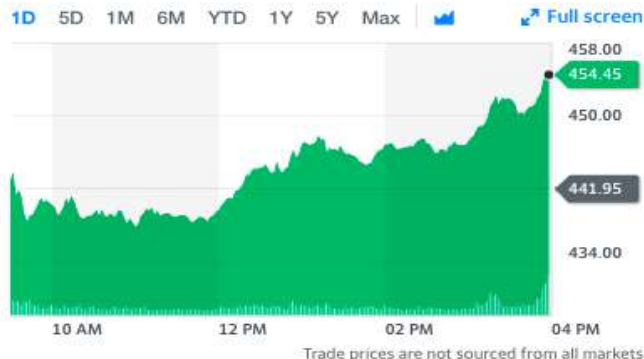


Chart Events ⓘ 🔒

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](#)

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

Timeline

# **TASKS DURING BREAKOUT:**

Reading a Stock Chart  
Worksheet



**BREAK**

# 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.

Top 10 Companies in the Dow Index		
<i>by market capitalization - Feb 2020</i>		
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 Feb 2020

**DISFOLD**

## Market Summary > Dow Jones Industrial Average

INDEXDJX: .DJI

+ Follow

28,187.74 -23.08 (0.082%) ↓

Oct 22, 12:33 PM EDT · Disclaimer

1 day

5 days

1 month

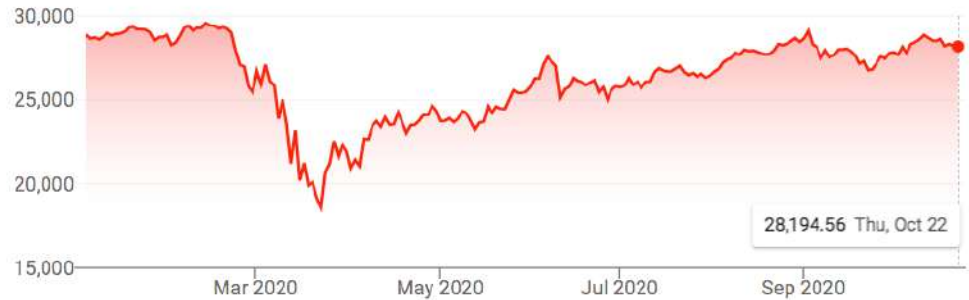
6 months

YTD

1 year

5 years

Max



Open  
High

28,197.42  
28,294.61

Low

28,040.18



# 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.

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.

## Market Summary > Nasdaq Composite

INDEXNASDAQ: .IXIC

+ Follow

11,513.41 +28.71 (0.25%) ↑

Oct 22, 2:23 PM EDT · Disclaimer

1 day

5 days

1 month

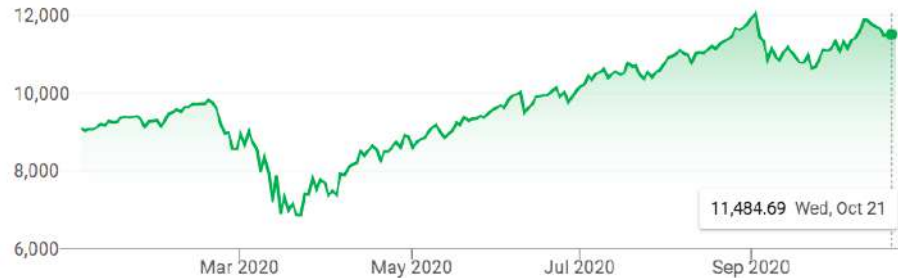
6 months

**YTD**

1 year

5 years

Max



Open

11,526.98

Low

11,369.29

High

11,548.77

# 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.

- **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?

## 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)

# JOIN OUR STOCK MARKET SIMULATION!

1. Visit this link: \_\_\_\_\_
2. Fill out the Login Info and Click “**Register**” at the bottom

**Password:** \_\_\_\_\_

**Name:** \_\_\_\_\_