



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 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

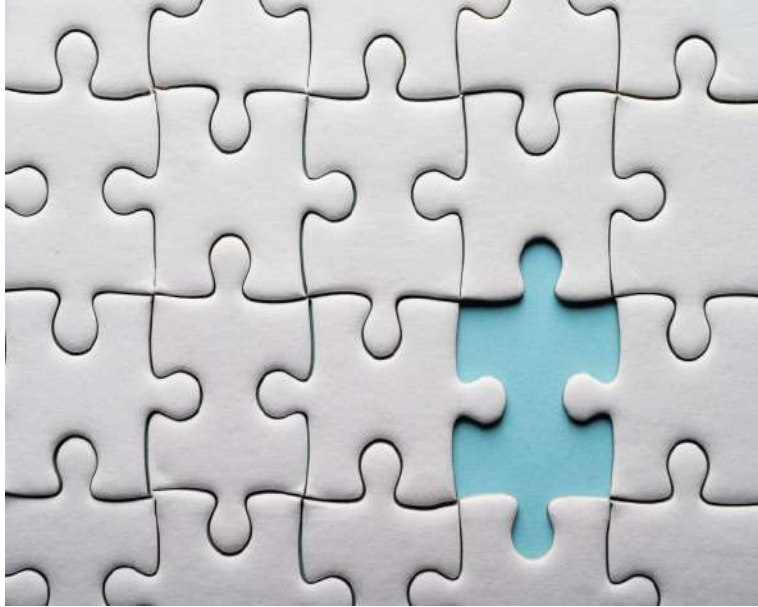
Stocks- Represents part ownership in a corporation

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

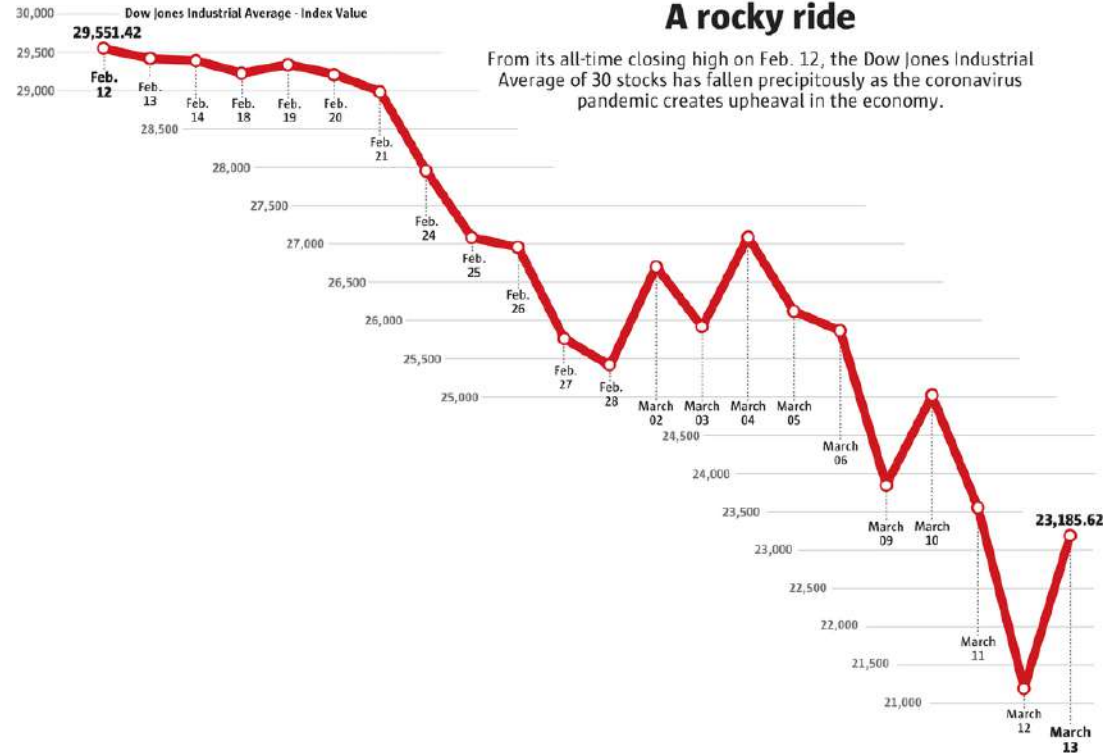
- Pure Electronic Exchange

- 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*



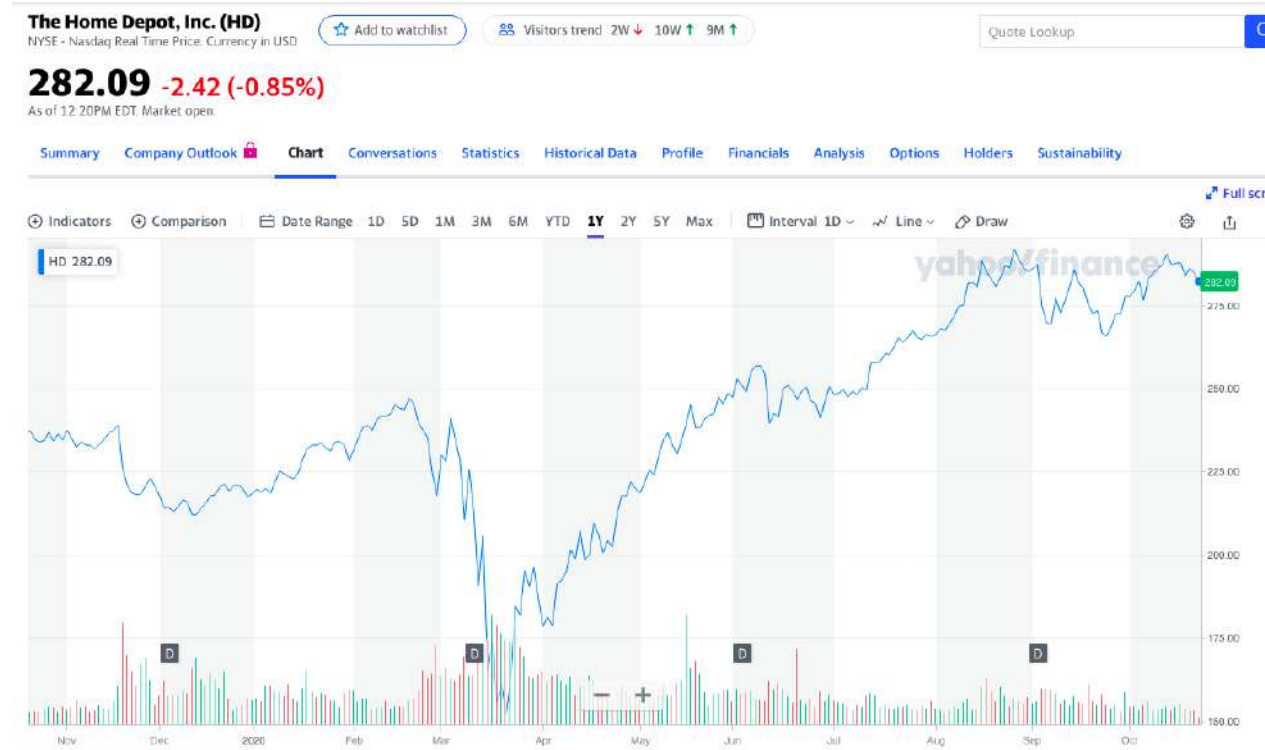
Pros & Cons of Investing in STOCKS

- **Advantages:**

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

- **Disadvantage:**

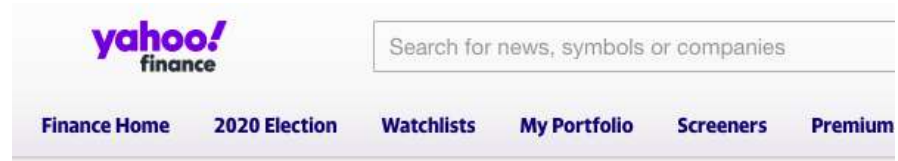
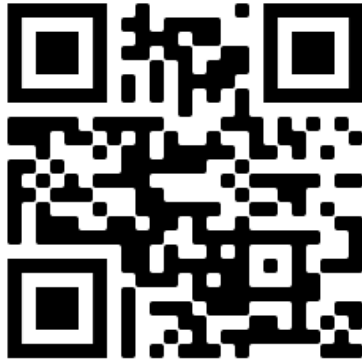
- Medium to High risk
- Highly volatile



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

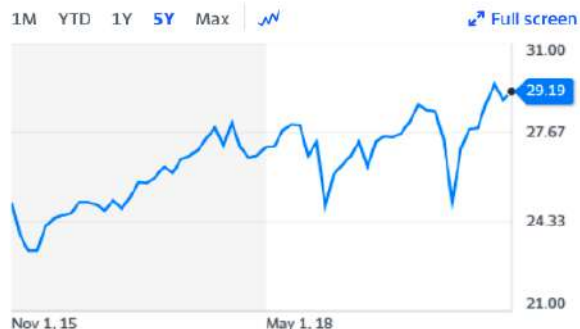
29.19 -0.05 (-0.17%)

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

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

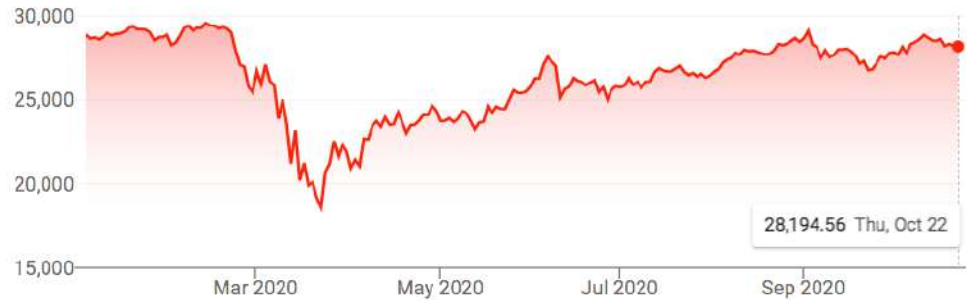
6 months

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.



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)

The power of compounding is often hard to comprehend. We've created the following hypothetical example to help you better understand the benefit of saving early.

Meet our two investors, Barbara and Ron.

Barbara starts investing \$2,000 a year at age 19. She contributes \$2,000 a year until she is 27. Her total contribution is \$18,000.



Ron doesn't start investing until he is 28. He contributes \$2,000 a year until he is 65 years old. His total contribution is \$76,000.



Both earn 10% each year on their investment.

Who has more money at age 65?

If you guessed Barbara then you're right! Check out details to the right.



This hypothetical example assumes a hypothetical 10% return on investments, and no withdrawals. Rates of return will vary by investor and are not guaranteed. If the rate of return were altered, results would vary from those shown. This example doesn't represent any particular investment, investment strategy and doesn't account for inflation. There may be other material differences between investments that must be considered prior to investing.

AGE	BARBARA INVESTS	YEAR END VALUE	RON INVESTS	YEAR END VALUE
19	2,000	2,000	0	0
20	2,000	4,113	0	0
21	2,000	6,572	0	0
22	2,000	9,278	0	0
23	2,000	12,254	0	0
24	2,000	15,527	0	0
25	2,000	19,128	0	0
26	2,000	23,089	0	0
27	2,000	27,447	0	0
28	0	30,191	2,000	2,048
29	0	33,210	2,000	4,301
30	0	36,531	2,000	6,780
31	0	40,184	2,000	9,506
32	0	44,203	2,000	12,506
33	0	48,623	2,000	15,803
34	0	53,485	2,000	19,432
35	0	58,834	2,000	23,423
36	0	64,718	2,000	27,814
37	0	71,189	2,000	32,643
38	0	78,308	2,000	37,956
39	0	86,139	2,000	43,800
40	0	94,753	2,000	50,228
41	0	104,228	2,000	57,299
42	0	114,651	2,000	65,077
43	0	126,116	2,000	73,633
44	0	138,728	2,000	83,045
45	0	152,601	2,000	93,397
46	0	167,861	2,000	104,785
47	0	184,647	2,000	117,312
48	0	203,111	2,000	131,092
49	0	223,422	2,000	146,249
50	0	245,765	2,000	162,922
51	0	270,341	2,000	181,263
52	0	297,375	2,000	201,437
53	0	327,113	2,000	223,629
54	0	359,824	2,000	248,040
55	0	395,806	2,000	274,892
56	0	435,387	2,000	304,430
57	0	478,926	2,000	336,921
58	0	526,818	2,000	372,662
59	0	579,500	2,000	411,976
60	0	637,450	2,000	455,222
61	0	701,195	2,000	502,792
62	0	771,315	2,000	555,120
63	0	848,446	2,000	612,680
64	0	933,291	2,000	675,996
65	0	1,026,620	2,000	745,644

START SAVING EARLY

SAVE 10%+ OF YOUR PAY

“PAY YOURSELF FIRST”

COMPOUND INTEREST IS YOUR FRIEND!

Best Performing Stocks in the S&P 500 over Last 5, 10, 15 & 20 Years (Total Return)							
Rank	Symbol	Name	Last 5 Years	Rank	Symbol	Name	Last 10 Years
1	NVDA	NVIDIA Corp	1743%	1	NVDA	NVIDIA Corp	17763%
2	ENPH	Enphase Energy Inc	1354%	2	AMD	Advanced Micro Devices Inc	5079%
3	BLDR	Builders FirstSource Inc	1258%	3	AVGO	Broadcom Inc	2805%
4	TSLA	Tesla Inc	802%	4	FICO	Fair Isaac Corp	2216%
5	AMD	Advanced Micro Devices Inc	625%	5	BLDR	Builders FirstSource Inc	2145%
6	KLAC	KLA Corp	511%	6	MPWR	Monolithic Power Systems Inc	2036%
7	CDNS	Cadence Design Systems Inc	509%	7	CDNS	Cadence Design Systems Inc	2000%
8	PWR	Quanta Services Inc	502%	8	LRCX	Lam Research Corp	1810%
9	MRNA	Moderna Inc	500%	9	PANW	Palo Alto Networks Inc	1641%
10	LLY	Eli Lilly and Co	499%	10	AXON	Axon Enterprise Inc	1500%
11	SNPS	Synopsys Inc	482%	11	FTNT	Fortinet Inc	1467%
12	FICO	Fair Isaac Corp	449%	12	TSLA	Tesla Inc	1453%
13	AVGO	Broadcom Inc	442%	13	MSCI	MSCI Inc	1436%
14	URI	United Rentals Inc	425%	14	LLY	Eli Lilly and Co	1435%
15	LRCX	Lam Research Corp	421%	15	KLAC	KLA Corp	1427%
16	JBL	Jabil Inc	411%	16	SNPS	Synopsys Inc	1285%
17	MPWR	Monolithic Power Systems Inc	411%	17	ENPH	Enphase Energy Inc	1275%
18	AXON	Axon Enterprise Inc	407%	18	MSFT	Microsoft Corp	1190%
19	ANET	Arista Networks Inc	395%	19	NOW	ServiceNow Inc	1132%
20	CMG	Chipotle Mexican Grill Inc	371%	20	CTAS	Cintas Corp	1123%
Rank	Symbol	Name	Last 15 Years	Rank	Symbol	Name	Last 20 Years
1	NVDA	NVIDIA Corp	34320%	1	AAPL	Apple Inc	54910%
2	DXCM	DexCom Inc	14298%	2	MNST	Monster Beverage Corp	53519%
3	LULU	Lululemon Athletica Inc	13827%	3	NVDA	NVIDIA Corp	38171%
4	URI	United Rentals Inc	12465%	4	ISRG	Intuitive Surgical Inc	19366%
5	BLDR	Builders FirstSource Inc	11197%	5	BKNG	Booking Holdings Inc	18401%
6	NFLX	Netflix Inc	10593%	6	NFLX	Netflix Inc	10765%
7	FICO	Fair Isaac Corp	9565%	7	ODFL	Old Dominion Freight Line Inc	10225%
8	ULTA	Ulta Beauty Inc	8205%	8	AMZN	Amazon.com Inc	7019%
9	AMD	Advanced Micro Devices Inc	8163%	9	REGN	Regeneron Pharmaceuticals Inc	6177%
10	CDNS	Cadence Design Systems Inc	8047%	10	ORLY	O'Reilly Automotive Inc	5405%
11	TDG	TransDigm Group Inc	7757%	11	SBAC	SBA Communications Corp	5171%
12	DPZ	Domino's Pizza Inc	7320%	12	WST	West Pharmaceutical Services Inc	5143%
13	AAPL	Apple Inc	6609%	13	CPRT	Copart Inc	4691%
14	BX	Blackstone Inc	6478%	14	VRTX	Vertex Pharmaceuticals Inc	4238%
15	MPWR	Monolithic Power Systems Inc	6000%	15	TYL	Tyler Technologies Inc	4217%
16	AMZN	Amazon.com Inc	5519%	16	IDXX	IDEXX Laboratories Inc	4151%
17	ODFL	Old Dominion Freight Line Inc	5454%	17	IT	Gartner Inc	4084%
18	KLAC	KLA Corp	5343%	18	SHW	Sherwin-Williams Co	3616%
19	REGN	Regeneron Pharmaceuticals Inc	5101%	19	LRCX	Lam Research Corp	3567%
20	BKNG	Booking Holdings Inc	5099%	20	ILMN	Illumina Inc	3338%
		@CharlieBilello		Data: YCharts (as of 2/2/24)			

LET'S GO BUY SOME STOCKS! \$50,000 CONTEST

