



Local Competitions That
Develop Financial Skills

Investment Basics



What is a stock?

Stock represents an equity **ownership in a company.**

Instead of loaning a company money, you are buying a little ownership of the company.

If a company has 1,000 shares of common stock outstanding, and you own 10 shares, then you own 1% of the company.

Real World Example:

Apple has 5,860,000,000 shares outstanding. So if you owned 10 shares of Apple, you would own 0.00000017% of the company.



IPO-Initial Public Offering

Investments:

Stocks:

Owning a portion of the company

Making money if the company does well

Bonds:

Loaning money to a corporation or government
and you earn the interest

Mutual Funds:

Owning a portion of a collection of stocks, bonds,
or other securities

Many Different Investments:

- Commodities – *most risky*
- Collectibles
- Stocks
- Mutual Funds
- Corporate Bonds
- Treasury Bonds
- Certificates of Deposit
- Bank Savings Accounts – *least risky*

What is a ticker symbol?

In order to buy a stock, you must know its “ticker symbol.”

This is a 1 to 5 digit abbreviation or code that is unique to that stock.

KO=Coca-Cola

AAPL=Apple

WMT=Wal-Mart

NKE=Nike

UA=Under Armour



Generally....

The **HIGHER** the Return

The **RISKIER** the Investment

How Do Stocks Make Money?

Price appreciation – buy low, sell high

Dividends – the portion of a corporation's profit that is *paid to the shareholders*. *Can be paid in cash or stock.*

People who buy stocks are *stockholders*.

Common Stocks:

- Pay dividends based on performance of the company
- Have higher risk but may have higher reward

Preferred Stocks:

- Dividend amount is preset
- Dividends are paid on preferred stocks before common stocks
- Have lower risk but may limit reward

What is the difference between a private and a public company?



- Privately-held companies are owned by the company's founder, management or a group of private investors.
- Public companies sold a portion of itself to the public via an IPO (initial public offering) of some of its stock. Shareholders have claim to part of the company's assets and profits.

Primary and Secondary Markets

Primary Market – When stock is issued to the public for the first time by a corporation, it is called a primary distribution. Brokerage firms arrange to purchase large blocks of a new issue from a corporation at a set price.

Secondary Market – All subsequent sales of the stock take place in the secondary markets, i.e. NYSE. These involve transactions and the exchange of funds between investors and brokers.

NYSE:

New York Stock Exchange is the largest, best-known stock exchange with trading floor

NASDAQ: National Association of Securities Dealers Automated Quotations system - no trading floor, all computers

Large, mid-sized, and small growth companies

AMEX:

American Stock Exchange Mid-sized growth companies, 2nd largest exchange

What and where is Wall Street?



A street in lower Manhattan, NYC

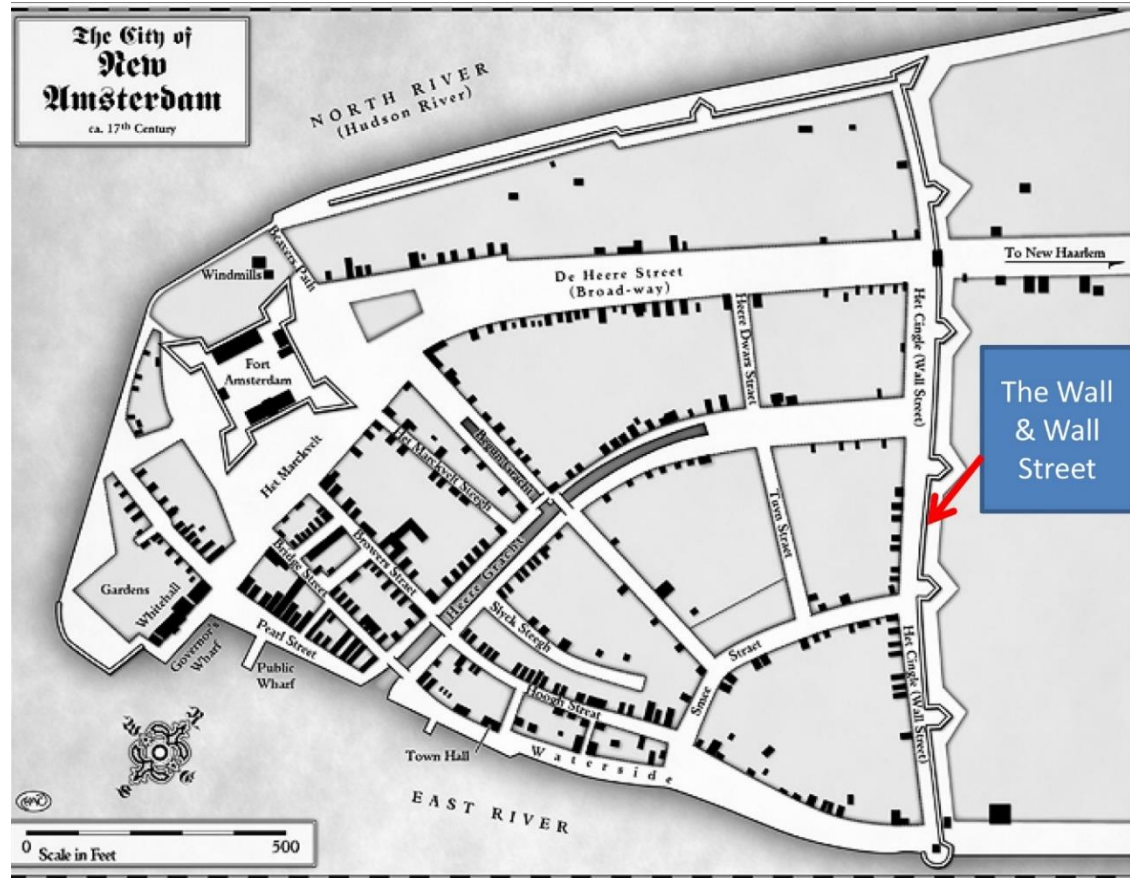
The first permanent home of the
New York Stock Exchange

Why is it called Wall Street?

In the 17th Century a wall was built around Fort Amsterdam at the southern end of Manhattan Island.

1792: Business men would gather near the intersection of Broad St and **the Wall**.

1817: To get out of the rain and cold, they rented a building across the street.



The New York Stock Exchange



The nations largest security exchange, commonly called a stock exchange. It provides facilities for its members to buy and sell securities. The members of a stock exchange are brokers who buy memberships so that they can use the exchange.

The trading floor of the NYSE



What and Where is NASDAQ?



National Association of Securities Dealers Automated Quotations

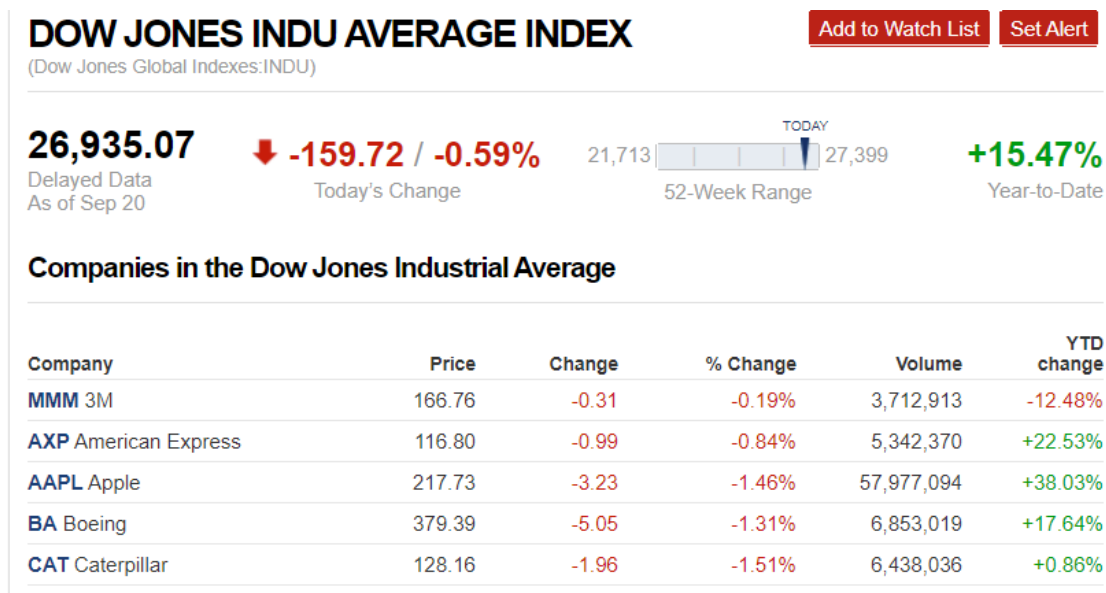
Located on Time Square New York City, It is the largest electronic screen-based equity securities trading market in the U.S.

NASDAQ

- World's first electronic exchange
- Second Largest Stock and Securities Exchange in the world, only behind the NYSE
- Approximately 3,700 Companies worth \$19 Trillion
- Lists more companies and trades more *shares per day* than any other U.S. market

Dow Jones Industrial Average

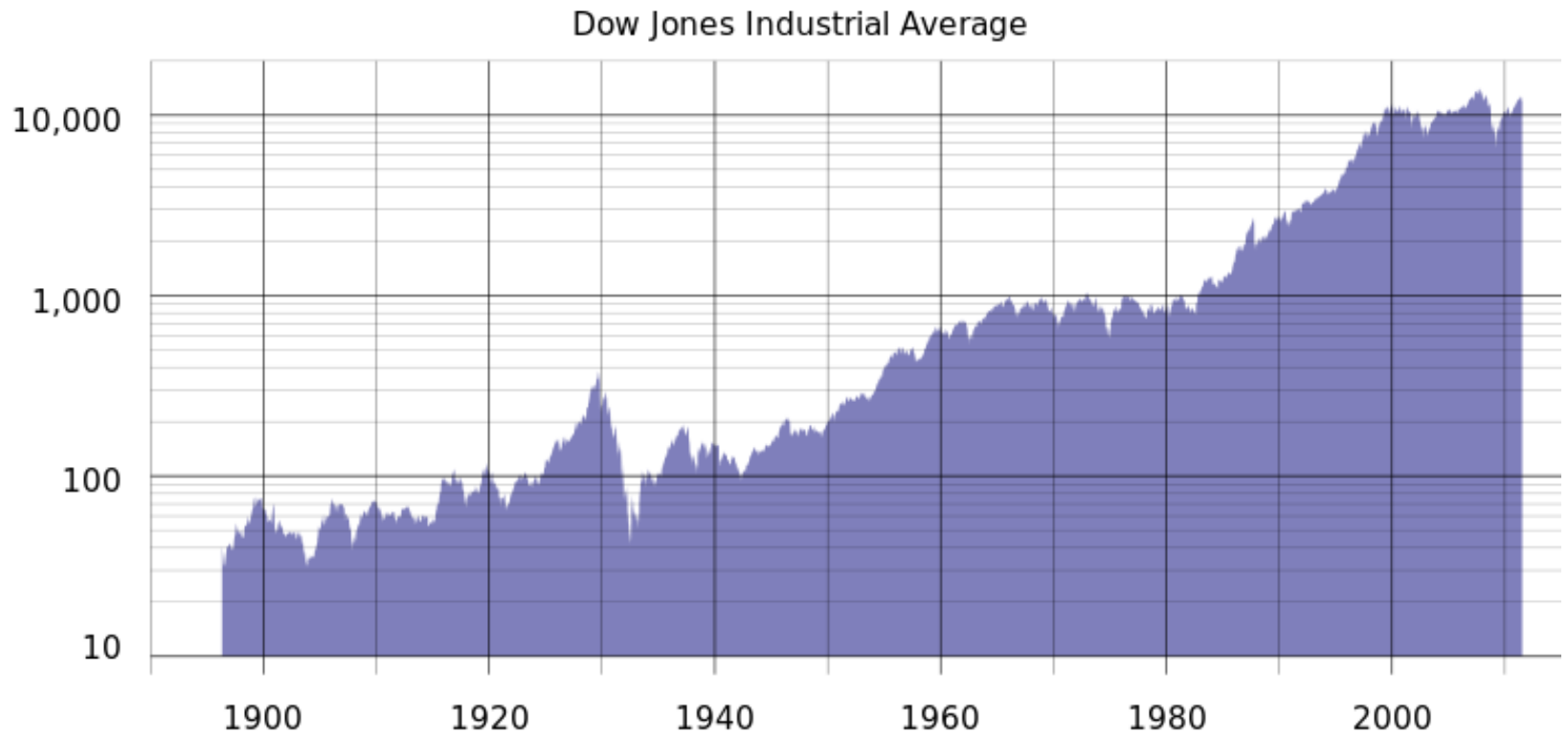
Thirty of the largest and most widely held U.S. public companies



Full list of current companies: <http://money.cnn.com/data/dow30/>

Dow Jones Industrial Average or Dow Jones Index

The industrial average was first calculated on May 26, 1896 by Charles **Dow** and one of his business associates, statistician Edward Jones with 12 stocks and the DJIA on its first day was at 62.76.



Balance Sheet and other Financial Statements

Example of Apple Balance Sheets and Income Statements. They help you understand the size of these companies.

Balance Sheet for Apple Inc (AAPL)

\$116.02

-0.09 (-0.08%)

Volume: 26.55m

3:24 PM EST Nov 12, 2015

Statement: View:

	in Millions of Dollars				
	09/2015	09/2014	09/2013	09/2012	09/2011
Assets [+]					
Cash and Equivalents	21,120	13,844	14,259	10,746	9,815
Restrictable Cash	-	-	-	-	-
Marketable Securities	20,481	11,233	26,287	18,383	16,137
Receivables	30,343	27,219	20,641	18,692	11,717
Inventories	2,349	2,111	1,764	791	776
Prepaid Expenses	-	-	-	-	-
Current Deferred Income Taxes	5,546	4,318	3,453	2,583	2,014
Other Current Assets	9,539	9,806	6,882	6,458	4,529
Total Current Assets	89,378	68,531	73,286	57,653	44,988
Gross Fixed Assets	49,257	39,015	28,519	21,887	11,768
Accumulated Depreciation	(26,786)	(18,391)	(11,922)	(6,435)	(3,991)
Net Fixed Assets	22,471	20,624	16,597	15,452	7,777
Intangibles	3,893	4,142	4,179	4,224	3,536
Cost in Excess	5,116	4,616	1,577	1,135	896
Non-Current Deferred Income Taxes	-	-	-	-	-
Other Non-Current Assets	5,556	3,764	5,146	5,478	3,556
Total Non-Current Assets	201,101	163,308	133,714	118,411	71,383
Total Assets	290,479	231,839	207,000	176,064	116,371

Stock Splits:

- Shares are created at a lower price per share
- If you had owned just a single share of Coca-Cola a century ago, you'd have **9,216** shares today -- and even at a modest price of just \$60 per share, your holdings would be worth roughly **\$550,000**.
- <https://www.stocksplithistory.com>

Terminology:

- Bull Market – rising market
- Bear Market – falling market
- Blue Chips - the largest and most profitable stocks

Large and Small Companies:

Large:

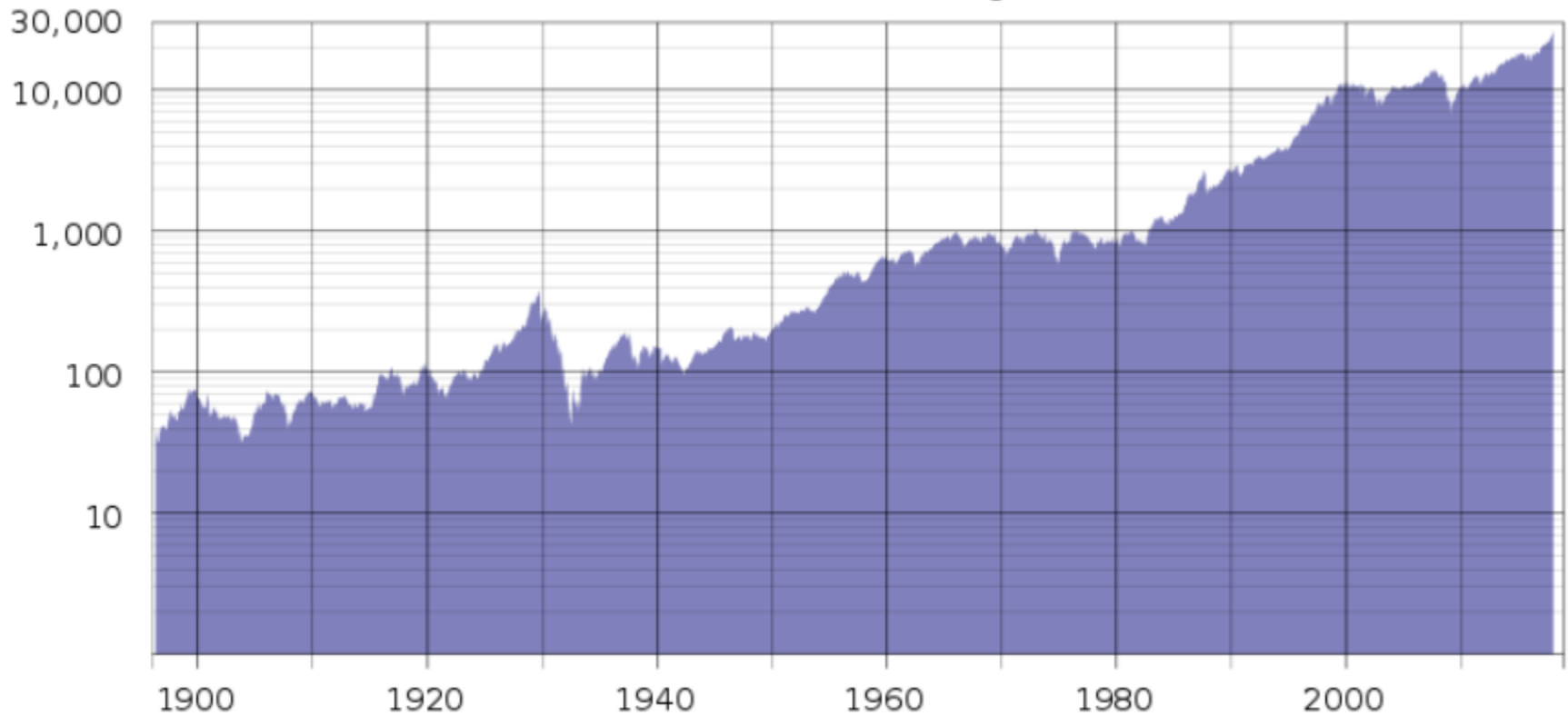
- Often have high prices
- Low risk of failure
- Usually pay regular dividends

Small:

- Potential for growth is greater than for larger companies
- Generally prices are lower

Long Term Investing

Dow Jones Industrial Average



[https://commons.wikimedia.org/wiki/File:DJIA_historical_graph_\(log\).svg](https://commons.wikimedia.org/wiki/File:DJIA_historical_graph_(log).svg)

Researching General Electric

➤ **52 Week High/Low:**
Highest and lowest price for a share of the stock in the past 52 weeks. GE's high was 28.09 & Low of 23.69

➤ **Ticker symbols:**
Typically from 1 to 5 letters



Researching General Electric

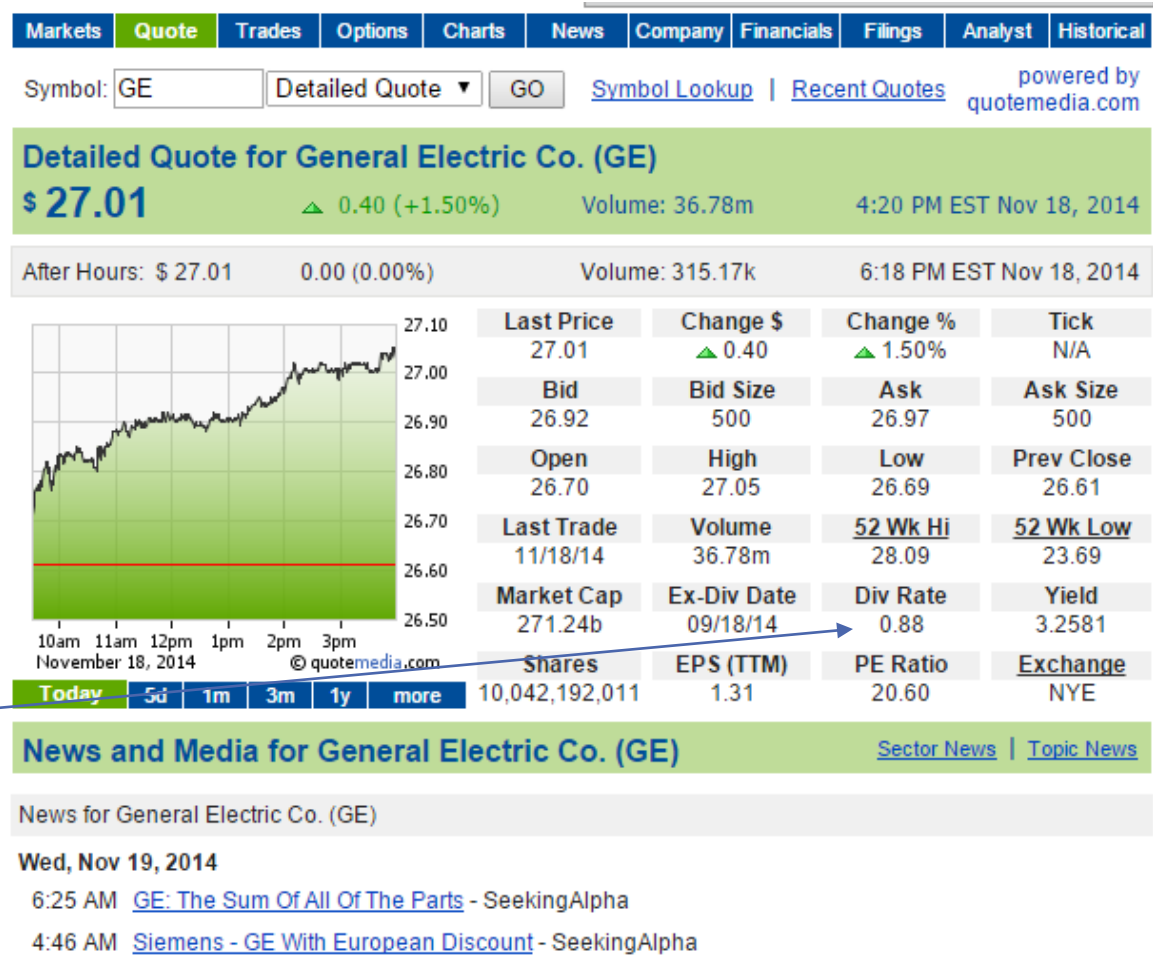
➤ DIV:

Annual Dividend per Share of Stock

Based on the rate of the Last Quarterly Payout

Annualized Data

Example GE: \$.88 per share



Researching General Electric

- **Yield %:** Known as *Dividend Yield*, a measure of the income produced by the stock
- **Calculation:** the DIV or *Annual Dividend* by the *Day's Closing Price*: $GE .88/27.01 = .0325$ or 3.25%



PE Ratio: What stocks should I buy?

What Does *Price-Earnings Ratio - P/E Ratio* Mean?

A valuation ratio of a company's current share price compared to its per-share earnings.

Calculated as:

$$\frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

More earnings per share given stock price results in a **lower PE ratio and a better buy.**

PE Ratio: What stocks should I buy?

More earnings per share given stock price results in a **lower PE ratio and a better buy.**

Sometimes known as "price multiple" or "earnings multiple.

Compare the P/E ratios of one company to other companies in the *same industry*.

<http://www.investopedia.com/terms/p/price-earningsratio.asp>

PE Ratio: What stocks should I buy?

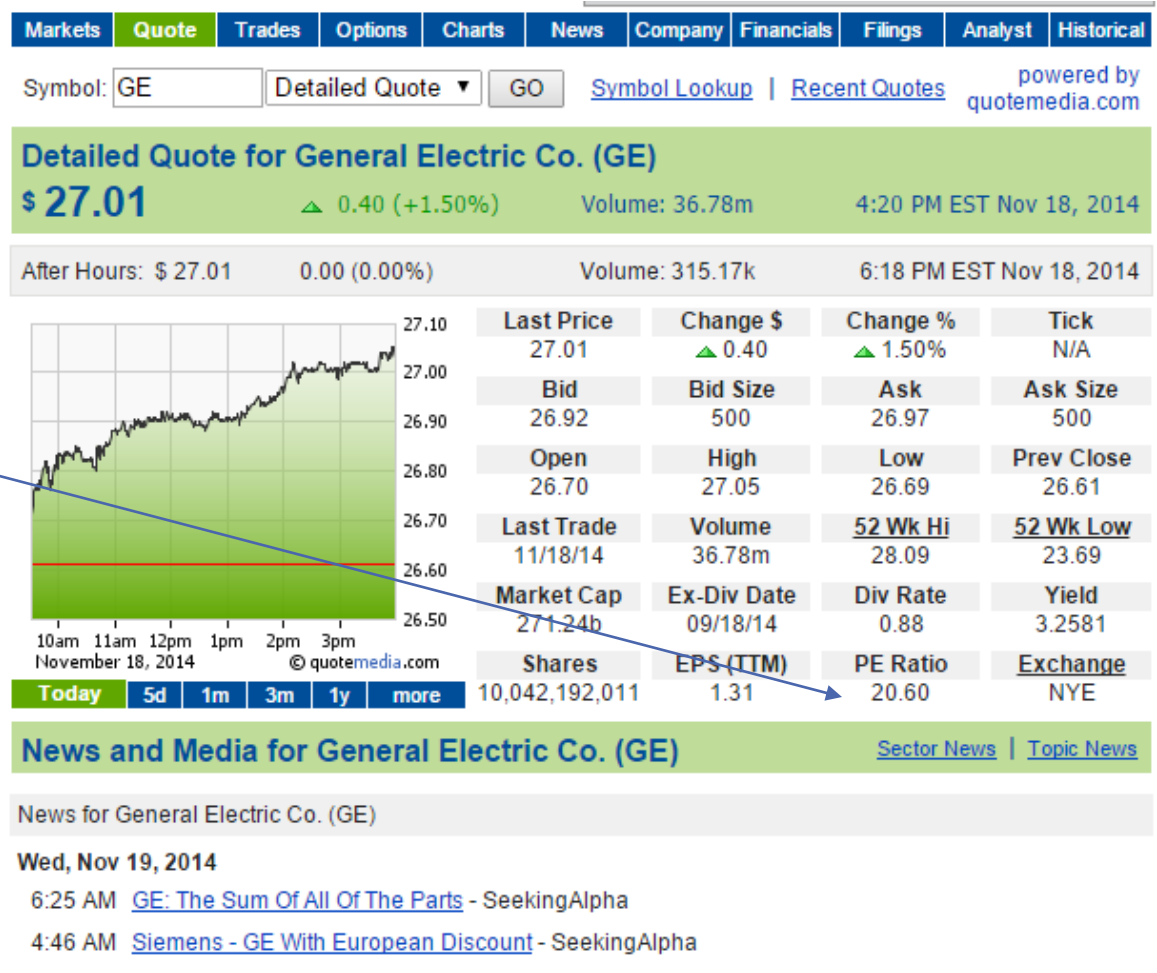
The P/E is sometimes referred to as the "multiple", because it shows how much investors are willing to pay per dollar of earnings.

If a company were currently trading at a multiple (P/E) of 20, the interpretation is that an investor is willing to pay \$20 for \$1 of current earnings.

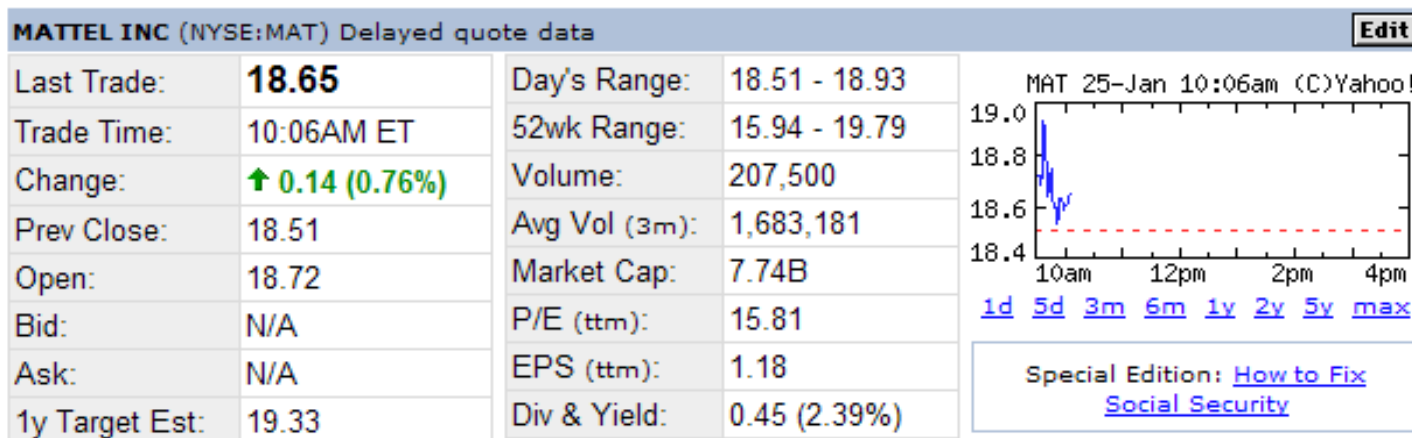
Researching General Electric

➤ Example:

GE at 20.60 P/E Ratio indicating that GE is selling for 20.6 times the company's earnings



Look Back: Was Mattel or Apple the better buy?



Another way to look at EPS: firm profit divided by number of shares.

More earnings per share given stock price results in a lower P/E & a better buy.

PE Ratio: What stocks should I buy?

- **Trailing P/E:** is what is reported in the financial section
- **Forward P/E:** based on forecasting net years future expected earnings

Researching General Electric

Earnings Per Share:

GE \$1.31

Many investors carefully watch this number

In general, higher earnings per share means better dividend and overall stock performance.



Researching General Electric

Earnings Per Share:

GE \$1.31

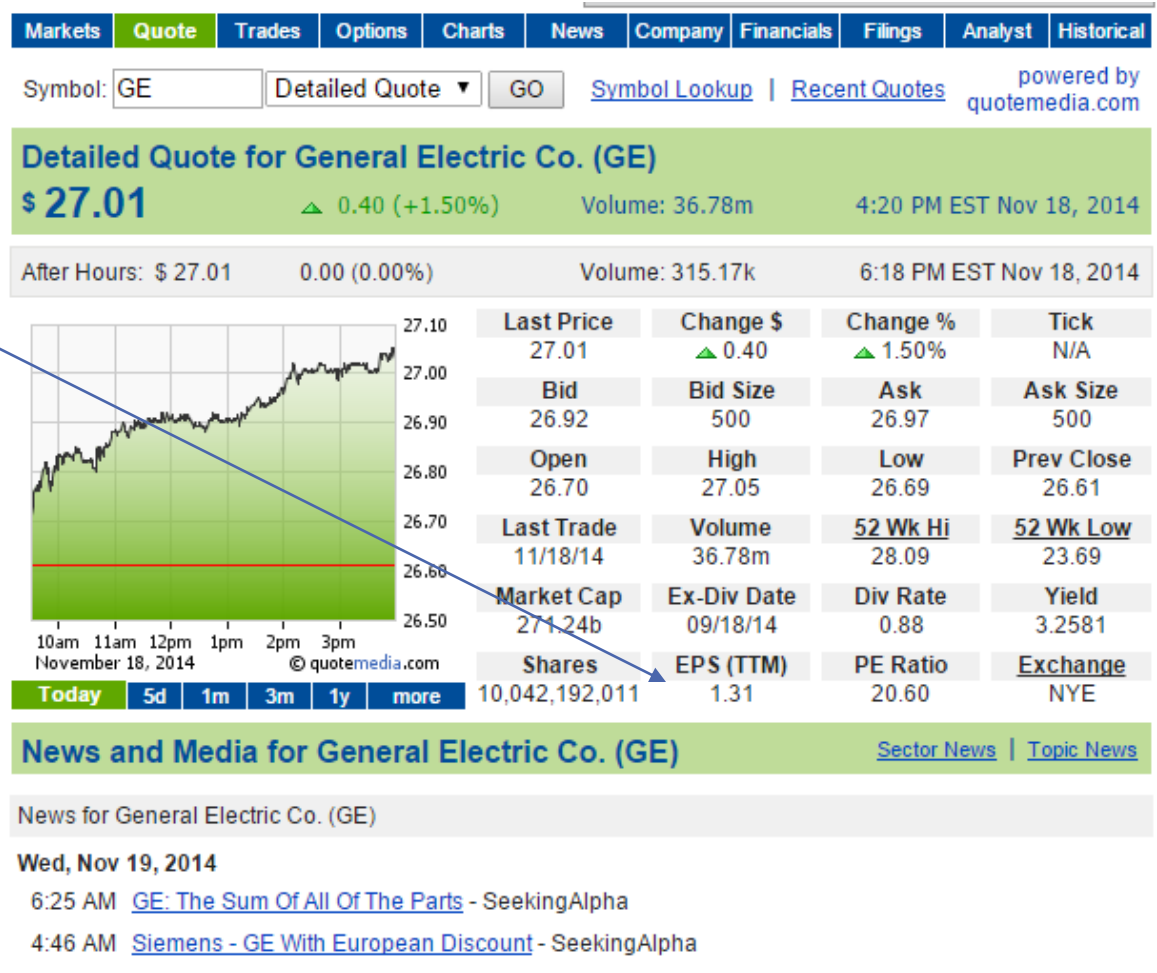
Calculated by dividing the *closing price* on the day being consider *by* the *P/E ratio*.

Closing: \$27.01

P/E Ratio: 20.60

$27.01 / 20.60 =$

EPS: \$1.31



Beta

- Beta of 1 means that the stock and market change by the same percentage
- Larger beta means a larger change than the market on any given day

- **Calculation:**

$$\frac{\% \text{ change in stock return}}{\text{change in market return}} \quad \%$$

Market Capitalization or MCAP

- Represents the aggregate value of a company or stock.
- Obtained by multiplying the number of shares outstanding by their current price per share.

Example: If a company has 15,000,000 shares outstanding and a share price of \$20 per share
= \$300,000,000.

US Market Cap Divisions

- Large Cap - usually \$5 billion or more
- Mid Cap - usually \$1 billion to \$5 billion
- Small Cap - usually less than \$1 billion

These are the generally accepted cutoffs between the categories. They are not precise or fixed.

Exchange Traded Funds

- The first ETF created was the Standard and Poor's Deposit Receipt (SPDR), pronounced "Spider" in 1993.
- SPDRs gave investors an easy way to track the S&P 500 without buying an index fund and they soon became quite popular.

Exchange Traded Funds

- Funds track an index
- Trades like a stock
- Traded on the exchanges
- Can be bought any time during the day
- Price fluctuates moment to moment

Exchange Traded Funds are a way to invest in a specific commodity, sector or country

Short Selling

Short selling starts with borrowing a stock from your broker

You sell the borrowed stock hoping to buy it back at a lower price and return (short cover) it to your broker for a profit

Short Covering

- Must have already short sold the stock
- May set a maximum price limit

Example: Short Selling and Covering

- I borrow the stock from the broker (\$10 brokerage fee)
- I sell it. Now I've got cash.
- I short cover by buying the stock back in the stock exchange at a lower price

Example: Short Selling and Covering

- I return the stock to the broker (\$10 brokerage fee).
- I get the difference between the high price and the low price minus the brokerage fees.

Buying on Margin

If you borrow funds to buy stock, it's called 'buying on margin'

Trading Ideas

Lots of links to give students trading ideas including:

- Percentage gainers
- Most actives
- Analyst upgrades and downgrades
- Earnings calendars

02/09/2016 11:00 AM

Exchange: NYSE - No Sector - MARKET HOURS GO

NYSE Volume Actives

Company	Symbol	Last	Chg	% Chg	Open	High	Low	Vol	
Bank of America Co	BAC	12.215	▼	-0.055	-0.45%	11.99	12.43	11.96	74.15m
SPDR S&P 500 ETF	SPY	184.47	▼	-0.95	-0.51%	183.36	186.29	183.20	50.6m
VS 3X WTI CRUDE	UWTI	1.621	▼	-0.079	-4.65%	1.61	1.70	1.60	36.12m
Barclays Bank PLC	VXX	28.48	▲	0.86	3.11%	28.73	28.76	27.59	31.27m
Financial Select S	XLF	20.23	▼	-0.19	-0.93%	20.02	20.41	20.02	30.81m
Market Vector Gold	GDX	17.61	▲	0.14	0.80%	17.72	17.81	17.22	22.25m
iShares Japan Inde	EWJ	10.70	▼	-0.23	-2.10%	10.63	10.7899	10.63	18.88m
Energy Transfer Eq	ETE	4.7001	▲	0.6501	16.05%	4.33	4.96	4.31	18.76m
iShares MSCI Emerg	EEM	29.091	▼	-0.509	-1.72%	29.04	29.53	29.02	18.74m
iShares Trust Russ	IWM	95.76	▼	-0.67	-0.69%	95.13	97.13	95.07	17.59m

NYSE Dollar Volume Actives

Company	Symbol	Last	Chg	% Chg	Open	High	Low	Vol	
SPDR S&P 500 ETF	SPY	184.47	▼	-0.95	-0.51%	183.36	186.29	183.20	50.6m
iShares Trust Russ	IWM	95.76	▼	-0.67	-0.69%	95.13	97.13	95.07	17.59m
Bank of America Co	BAC	12.215	▼	-0.055	-0.45%	11.99	12.43	11.96	74.15m
Barclays Bank PLC	VXX	28.48	▲	0.86	3.11%	28.73	28.76	27.59	31.27m
Financial Select S	XLF	20.23	▼	-0.19	-0.93%	20.02	20.41	20.02	30.81m
SPDR Gold Trust	GLD	114.26	▲	0.43	0.38%	114.43	114.51	113.59	5.01m
iShares MSCI Emerg	EEM	29.091	▼	-0.509	-1.72%	29.04	29.53	29.02	18.74m
ProShares Ultra VI	UVXY	53.10	▲	3.04	6.07%	54.03	54.15	49.95	9.15m
SPDR Dow Jones Ind	DIA	159.32	▼	-1.03	-0.64%	158.54	160.65	158.51	3.03m
Energy Select Sect	XLE	54.83	▼	-0.82	-1.47%	54.82	55.49	54.65	8.52m

NYSE Dollar Gainers

Company	Symbol	Last	Chg	% Chg	Open	High	Low	Vol	
VS 3X INV WTI CRUDE	DWTI	323.1442	▲	14.7042	4.77%	323.33	325.76	306.36	295.22k
Direxion Daily Hmb	CLAW	74.43	▲	10.74	16.86%	74.43	74.43	74.43	700
Martin Marietta Ma	MLM	127.515	▲	9.665	8.20%	113.08	133.58	108.31	1.26m
Direxion Shares Ex	DRIP	115.90	▲	8.62	8.04%	117.11	117.17	110.28	26.48k
Direxion Daily FTS	YANG	170.12	▲	8.035	4.96%	167.05	171.59	163.47	124.19k
Biglari Holdings	BH	367.99	▲	6.97	1.93%	356.27	369.28	351.01	850
Allergan PLC 5.5%	AGN.P.A	906.76	▲	6.73	0.75%	901.17	915.00	901.17	1.11k
Belden Inc	BDC	43.58	▲	6.43	17.31%	37.80	44.99	37.80	429.34k

Quotes and Charts

Complete quotes page that includes

- Market Updates
- Charts
- News
- Company profiles
- Financial statements
- SEC filings
- Analyst ratings and forecasts

Markets **Quote** Trades Options Charts News Company Financials Filings Analyst Historical

Symbol: Detailed Quote [Symbol Lookup](#) | [Recent Quotes](#) powered by quotemedia.com

Detailed Quote for General Electric Co. (GE)

\$ 27.01 ▲ 0.40 (+1.50%) Volume: 36.78m 4:20 PM EST Nov 18, 2014

After Hours: \$ 27.01 0.00 (0.00%) Volume: 315.17k 6:18 PM EST Nov 18, 2014

10am 11am 12pm 1pm 2pm 3pm
November 18, 2014 © quotemedia.com

Last Price	Change \$	Change %	Tick
27.01	▲ 0.40	▲ 1.50%	N/A
Bid	Bid Size	Ask	Ask Size
26.92	500	26.97	500
Open	High	Low	Prev Close
26.70	27.05	26.69	26.61
Last Trade	Volume	52 Wk Hi	52 Wk Low
11/18/14	36.78m	28.09	23.69
Market Cap	Ex-Div Date	Div Rate	Yield
271.24b	09/18/14	0.88	3.2581
Shares	EPS (TTM)	PE Ratio	Exchange
10,042,192,011	1.31	20.60	NYSE

Today 5d 1m 3m 1y more

News and Media for General Electric Co. (GE)

[Sector News](#) | [Topic News](#)

News for General Electric Co. (GE)

Wed, Nov 19, 2014

6:25 AM [GE: The Sum Of All Of The Parts](#) - SeekingAlpha

4:46 AM [Siemens - GE With European Discount](#) - SeekingAlpha