Stocks

Slide 1:

1. Stocks and bonds are sold at Financial Markets
2. Financial market allows those who have saved money to invest in companies looking for capital
3. Examples of financial markets include wall street, scottrade, trade king, etc

Slide 2:

1. What does it mean when someone says they own 100 shares of a particular stock?
2. If Tyler owns 100 shares in Google, that means he is a part owner of google.
3. Stock is a claim on the assets of a corporation that gives the purchaser a share in the corporation.
4. That does not mean you can walk into the company and start giving orders, hiring or firing anyone, or any executive decisions.
5. He can sell his ownership (stock) in the company though

Slide 3:

1. In 1792, 24 men sat under a buttonwood tree on what is now the Wall Street in New York City
2. They bought and sold stock for themselves and others at this location.
3. New York Stock Exchange arose from this.
4. This does not mean you have to go to New York to buy stocks. You merely talk to a stock broker and he would convey your wishes to sell or buy stock to someone at NYSE themselves.

Slide 4:

1. There are other exchanges and markets there as well:
2. American Stock Exchange (AMEX)
3. National Association of Securities Dealers Automated Quotations. (NASDAQ)
4. The NASDAQ is an electronic stock exchange done through a computer and telecommunications network
5. You can also buy stocks and sell stocks in foreign markets too. Might buy from the Swiss, German or other stock exchanges.

Slide 5:

1. You may have heard before that the DOW fell 302 points due to heavy trading or that its risen
2. DOW jones industrial Average (DIJA) was created by Charles H.Dow
3. He took 11 stocks, summed their prices on a particular day, then divided by 11 to get the average price.
4. Before the DJIA people had a hard time figuring out whether the stock market was rising or failing.

5. they only knew a particular stock was rising and falling.

Slide 6:
- DJIA today consists of 30 stocks.
- They do not just add up the stocks then divide by 30. There is a special divisor that is used to avoid distortions that can occur such as companies splitting their stocks
- Lots of other stock indicators too:

1. NASDAQ composite
2. standard and poors 500
3. Russell 2000

- and global ones such as

1. Hang Seng (Hong Kong)
2. Bovespa (Brazil)
3. IPC (Mexico)

Slide 7:
1. What causes the dow to go up and down?
2. Closely connected to consumer credit, business expectations, exports, imports, personal income and the money supply
3. Increases in consumer credit are able to push up the dow.
4. Thought being that when people's credit rises they buy ore goods and services, which is good for companies that sells good and services.
5. When consumer credit falls the opposite happens

Slide 8:
- How the stock market works
- Suppose a company wants to invest in a new product or manufacturing technique. It can do 3 things to raise money

1. Go to a bank and borrow it
2. Borrow the money by issuing a bond
3. It can sell or issue stock in the company

- Stocks are also called equity because the buyer of the stock has part ownership of the company.

Slide 9:
1. When companies are first formed they usually sell stocks to friends, family and associates because no one will buy stock in a company they have never heard of.
2. When the company offers it to the public they have an initial public offering (IPO). Twitter is a good example of this.

3. An investment bank sells the stock of the company for an initial price, which they put in the wall street journal.

Slide 10:
1. When an IPO occurs for stock it is usually traded on a stock exchange or electronic market where the price can either rise or fall depending on what people in the stock market think the company will do in the future.
2. If people feel they are destined for big earnings, then the price will likely large.
3. If the company doesn’t look it can make a profit, or a small one, it will sink.
4. Price depends on the forces of supply and demand.

Slide 11:
1. Some people buy stocks because they pay dividends.
2. Which are payments made to stockholders based on the company's profits
3. Example company says it will issue 1 dollar for every share you own and you own 50,000 shares.
4. They will pay you 50,000 dollars
5. People might sell stock because they need the money or the company starts doing poorly

Slide 12:
1. Many ways to buy stock
2. Online, full service stock brokerage firm, or a discount broker.
3. Usually open up an account with a certain dollar amount 1000-2500 typically.
4. You can call up a full service brokerage firm and talk to an account representative who might recommend stocks due to their research departments investigations into the company.
5. You can call a discount broker and tell him you want to buy or sell a certain stock, but they do not offer advice.
6. Same with online brokers. You execute the trade yourself.

Slide 13:
1. Mutual funds are a collection of stocks
2. The fund is managed by a fund manager who works for a mutual fund company.
3. When you put 10,000 into a mutual fund the fund manager puts it into a collection of stock funds

Slide 14:
1. You can also buy stocks that make up a stock index
2. An index is basically a portfolio of stocks that represent a particular market or a portion of it, used to measure changes in a market of an economy.
3. You can buy a SPDR (standard and poor's depository receipts representing ownership in the SPDR trust.

4. This trust buys stocks that make up the standard and poors 500 index.
5. Traded under the symbol SPY
6. They cost 1/10th of the S&P index.
7. For example: if the S&P index is 1200, then the SPDR will trade for 120.
8. When you buy SPDRs you are buying stock in 500 companies, so essentially you are "buying the market"

Slide 15:

1. How to read the stock market page
2. Symbols
3. 52W high: high price of the stock for the last 52 weeks
4. 52W low: low price of a stock for the last 52 weeks
5. Stock: abbreviation of the name of the company or the full name of the company you are looking at
6. Ticker: stock or ticker symbol for which a company is traded under
7. Div: indicates that the last annual dividend per share of stock was a given amount.

Slide 16:

1. Yield: dividend divided by the closing price
2. Yield = dividend per share / closing price per share
3. Stock trades for 45.54 and their dividend is a $1.02
4. Yield = 45.54 / 1.02 = 2.1%
5. Higher yield is better

Slide 17

1. :P/E: price earnings ratio: find it by taking the latest closing price per share and dividing it by the latest net earning per share
2. PE = closing price per share / net earnings per share
3. A high P/E ratio usually means people believe the stock will experience higher than average growth in earnings.

Slide 18:

1. Vol 00s: number of shares sold on a particular day
2. High: high price the stock traded for on a particular day
3. Low: low price the stock traded for on this particular day. stock prices fluctuates through the day.
4. Close: price of the stock when its done trading for the day. example: trading ends and a stock is worth 10.25.
5. Net chg: difference between the closing price and the previous days closing price if it was +.25 it means the price of the stock on this day closed 25 cents higher than the previous day