Stock Project

Your task will include researching the equity markets and investing $100,000 in **two** common stocks listed in the New York Stock Exchange, American Stock Exchange, or the NASDAQ and **one** mutual fund. You will also keep **track** of the Dow Jones Industrial Average and analyze how market conditions impact the value of your holdings.

An evaluation essay will accompany your project reflecting on your experience throughout the project. You will be expected to present a reflective analysis of what market conditions affected the values of your 3 holdings as well as the Dow Jones Industrial Average. Evidence in the form of news reports or database research will be expected to support your personal analysis. (500-700 words). Minimum of 4 verified sources.

Please submit all work within a 3 tab folder

Stock Purchase Date:____________________

Check-in #1:__________________________

Check-in #2:__________________________

Check-in #3:__________________________

Stock Sale Date:______________________

What is a Stock, Anyway?

STOCK IS OWNERSHIP, simple as that.

Buy a share of Microsoft and you acquire a tiny sliver of the software giant, tying your fate to that of Chairman Bill Gates, for better or worse. This is ownership in the most literal sense: You get a piece of every desk, contract and trademark in the place. Better yet, you own a slice of every dollar of profit that comes through the door. The more shares you buy, the bigger your stake becomes.

OK, So How Is a Stock Valued?
The stock market itself is basically a daily referendum on the value of the companies that trade there. All those guys screaming at each other? Their job is to take in the day's news and distill it down to a single question: Will it help the companies I own make money in the future, or will it prevent them from doing so? If Microsoft loses a court battle to the Justice Department, look for its shares to fall. But if strong economic numbers come out promising better PC sales, traders will buy with a vengeance.

Earnings (a.k.a. profits) are the supreme measure of value as far as the market is concerned. Wall Street is obsessed with them. Companies report their profits four times a year and investors pore over these numbers -- expressed as earnings per share -- trying to gauge a company's present health and future potential.

The market rewards both fast earnings growth and stable earnings growth. Stock traders will even pay up for a money-losing company that promises to earn a lot in the future (witness 1998's explosion in Internet stocks). Things the market will not tolerate are declining earnings or unexplained losses. Companies that surprise Wall Street with bad quarterly reports almost always get punished.

What About Risk?
While history shows that stocks will rise given the fullness of time, there are no guarantees -- especially when it comes to individual stocks. Unlike a bond, which promises a payout at the end of a specified period plus interest along the way, the only assured return from a stock is if it appreciates on the open market. (While many companies pay shareholders dividends out of their earnings, they are under no obligation to do so.) The worst-case scenario is that a company goes bankrupt and the value of your investment evaporates altogether. Happily, that's rare. More often, a company will run into short-term problems that depress the price of its stock for what seems an agonizingly long period of time.

For all the risk, however, there are ways to manage your exposure. The best is to diversify by owning a variety of stocks. That way, no single company can harm you. (Check out our Risk vs. Reward section for more on diversification strategies.) It's also important to remember that investors are well compensated for rolling the dice with equities. Historically, the long-term return from stocks is about 11% annually, while bonds -- which are less risky -- return just 5.2%. Over time, that spread can make a huge difference in the earning power of your savings (see The Power of Compounding).

One final note: Along with ownership, a share of stock gives you the right to vote on management issues. Company executives work at the behest of shareholders, who are represented by an elected board of directors. By law, the goal of management is to increase the value of the corporation's equity. To the extent this doesn't happen, shareholders can vote to have management removed.

That's the way it is supposed to work, anyway. As we noted above, one of the grim realities of the stock market is that individual investors rarely amass enough stock to be able to exert any tangible influence over a company -- that's left to big institutional shareholders or groups of company insiders. Consequently, it behooves you to carefully research management's competence before you buy a stock. And the best measure of that may be the company's ability to consistently deliver earnings over time.

Mutual Fund Basics

Once you've decided to invest in the stock market, mutual funds are an easy way to own stocks without worrying about choosing individual stocks. As an added bonus, you can find plenty of information on the Internet to help you learn about, study, select, and purchase them.

But what is a mutual fund? It's not complicated. A dictionary definition of a mutual fund might go something like this: a single portfolio of stocks, bonds, and/or cash managed by an investment company on behalf of many investors.

The investment company is responsible for the management of the fund, and it sells shares in the fund to individual investors. When you invest in a mutual fund, you become a part owner of a large investment portfolio, along with all the other shareholders of the fund. When you purchase shares, the fund manager invests your funds, along with the money contributed by the other shareholders.

Every day, the fund manager counts up the value of all the fund's holdings, figures out how many shares have been purchased by shareholders, and then calculates the Net Asset Value (NAV) of the mutual fund, the price of a single share of the fund on that day. If you want to buy shares, you just send the manager your money, and they will issue new shares for you at the most recent price. This routine is repeated every day on a never-ending basis, which is why mutual funds are sometimes known as "open-end funds."

If the fund manager is doing a good job, the NAV of the fund will usually get bigger -- your shares will be worth more.

But exactly how does a mutual fund's NAV increase? There are a couple of ways that a mutual fund can make money in its portfolio. (They're the same ways that your own portfolio of stocks, bonds, and cash can make money).

- A mutual fund can receive dividends from the stocks that it owns. Dividends are shares of corporate profits paid to the stockholders of public companies. The fund might have money in the bank that earns interest, or it might receive interest payments from bonds that it owns. These are all sources of income for the fund. Mutual funds are required to hand out (or "distribute") this income to shareholders. Usually they do this twice a year, in a move that's called an income distribution.
- At the end of the year, a fund makes another kind of distribution, this time from the profits they might make by selling stocks or bonds that have gone up in price. These profits are known as capital gains, and the act of passing them out is called a capital gains distribution.

Unfortunately, funds don't always make money. If the fund managers made some investments that didn't work out, selling some investments for less than the original purchase price, the fund manager may have some capital losses.

Everyone hates to have losses, and funds are no different. The good news is that these losses are subtracted from the fund's capital gains before the money is distributed to shareholders. If losses exceed gains, a fund manager can even pile up these losses and use them to offset future gains in the portfolio. That means that the fund won't pass out capital gains to shareholders until the fund had at least earned more in profits than it had lost. (Although you might want to reconsider your decision to remain invested in a fund that's losing money if the rest of the market is growing).

Stock Market Glossary

American Stock Exchange (AMEX): Second largest stock exchange in the United States. First known as the Curb Exchange because it started on the streets of New York City.

Bear Market: Declining market

Blue Chip: Well-established company with good earnings and regular stock dividends.

Bond: A corporation's I.O.U. note. The issuing company usually promises to pay the bondholder a specific interest for a certain length of time and repays the loan on the expiration date. A bondholder is a creditor of the corporation and not apart owner as is a shareholder.

Broker: An agent who handles the public's orders to buy and sell securities. There is a commission for this service.

Bull Market: An advancing market.

Capital Gain or Capital Loss: Profit or loss from the selling of securities.

Certificate of Deposit (CD): A money-market instrument with a set date of maturity and interest rate issued by banks.

Commission: A broker's basic fee for purchasing or selling securities.

Commercial Paper: Debt instrument by companies to meet short-term financing needs.

Common Stock: Securities that represent an ownership interest in a corporation.

Depression: Low prices with high unemployment and business failures. Four or more consecutive business quarters of declining GDP.

Dividend: A payment to stockholders from the corporation's earnings on preferred shares. It is usually fixed. On common shares the dividend varies with the prosperity and needs of the company.

Dollar Cost Averaging: A system of buying securities at regular intervals with a fixed dollar amount. Under this system the investor buys by the dollars' worth rather than b the number of shares. If each investment is at the same number of dollars, payments buy more when the price is low and fewer when price rises. Thus temporary downswings in price benefit the investor if he continues periodic purchases in both good and bad times and the price at which the shares are sold is more than their average cost.

Dow Jones Industrial Average: An index, or statistical average, based on the market price of 30 leading companies listed on the New York Stock Exchange.

Earnings: Income minus expenses.

Equity: Ownership of common and preferred stock.

Federal Reserve Banks: Twelve banks created by the Federal Reserve Act. These banks serve as agents for the U.S. government and its monetary policy.

Growth Stock: Sock for a company with a record of rapid growth in earnings.

Individual Retirement Account (IRA): A self-funded retirement plan that can be made through mutual funds, insurance companies and banks, or directly in stocks and bonds through stockbrokers. Employed individuals can contribute up to a maximum yearly sum while deferring taxes on interest until retirement.

Inflation: A fall in the value of money and a rise in prices.

Insider Information: Important facts about plans or condition of a corporation that have not been released to the public.

Load: The portion of the offering price of shares of open-end investment companies in excess of the value of the underlying assets which cover sales commission and all other costs of distribution. This load is incurred only on purchase in most cases. It is known as the "front load". If there is a load upon selling it is called a "back load".

Liquidity: Ability of the market to absorb a reasonable amount of buying and selling with reasonable price changes.

Margin: The amount paid by the customer when he uses his broker's credit to buy a security. Under Federal Reserve regulations, the initial margin required in recent years has ranged from 50% of the purchase price to 100%.

Money Market Funds: Mutual funds that invest in the shortest money market such as commercial paper CD's and Treasury Bills.

Mutual Fund: An Investment company that sells shares of itself to the public and invests the money in securities. Gives individuals opportunity to take less risk through a diversified investment.

NASDAQ: National Association of Securities Dealers automates quotations system is an electronic stock market. Provides brokers and dealers with price quotations on securities traded over the counter.

Net Change: Change in the price of a security from the closing price of one day to the closing price of the next trading day.

New York Stock Exchange (NYSE): World's largest securities market. Only stocks in major corporations that have met the exchange's requirements for financial solidity are listed.

Over the Counter: Market conducted by phone and mainly with stocks not listed on an exchange. Dealers act as principals or as brokers for customers.

Preferred Stock: Stock with a claim on the company's earnings before payment can be made on common stock and usually entitled to priority over common stock if the company liquidates.

Price Earnings Ratio (PE Ratio): Price per share of stock dividend by earnings per share for a 12-month period. A popular way to compare differently priced stocks. For example, a stock selling for $30 per share and a earning of $3 per share would be selling at a PE ratio of 10.

Recession: Mild decline in economic activity with a decline in employment and trade

SEC: The Securities and Exchange Commission created by congress to help protect investors by regulating stock transactions.

S&P 500: Standard and Poor's index of 500 widely held stocks, representing about 70% of total value market value of American stocks.

Take-Over: The aquiring of one corporation by another—usually in a friendly merger but sometimes marked by a "proxy fight".

Volume: Number of shares traded in a security or an entire market for a given period, usually considered on a daily basis.

Wall Street: Street location in New York City—one of the major financial centers of the United States.

Yield: Also called return. Yield is the dividends divided by the market price of the stock expressed as a percentage. A stock with current market value of $50 with a dividend of $2.50 has a yield of 5%.

Go to Finance.yahoo.com to look up your company information.

Stock #1 ____________________

Quotes	**Date Checked**	**What information you found relating to your company.**
Summary		
Order Book		
Options		
Historical Prices		
Charts		
Interactive		
Basic Chart		
Basic Tech. Analysis		
News & Info		
Headlines		
Financial Blogs		
Company Events		
Message Boards		
Market Pulse		
Company		
Profile		
Key Statistics		
SEC Filings		
Competitors		
Industry		
Components		
Analyst Coverage		
Analyst Opinion		
Analyst Estimates		
Research Reports		
Star Analysts		
Ownership		
Major Holders		
Insider Transactions		
Insider Roster		
Financials		
Income Statement		
Balance Sheet		
Cash Flow		

Go to Finance.yahoo.com to look up your company information.

Stock #2 ____________________

Quotes	**Date Checked**	**What information you found relating to your company.**
Summary	________	________________________________
Order Book	________	________________________________
Options	________	________________________________
Historical Prices	________	________________________________
Charts		
Interactive	________	________________________________
Basic Chart	________	________________________________
Basic Tech. Analysis	________	________________________________
News & Info		
Headlines	________	________________________________
Financial Blogs	________	________________________________
Company Events	________	________________________________
Message Boards	________	________________________________
Market Pulse	________	________________________________
Company		
Profile	________	________________________________
Key Statistics	________	________________________________
SEC Filings	________	________________________________
Competitors	________	________________________________
Industry	________	________________________________
Components	________	________________________________
Analyst Coverage		
Analyst Opinion	________	________________________________
Analyst Estimates	________	________________________________
Research Reports	________	________________________________
Star Analysts	________	________________________________
Ownership		
Major Holders	________	________________________________
Insider Transactions	________	________________________________
Insider Roster	________	________________________________
Financials		
Income Statement	________	________________________________
Balance Sheet	________	________________________________
Cash Flow	________	________________________________

Go to Finance.yahoo.com to look up your company information.

Mutual Fund #1 ____________________

Quotes	**Date Checked**	**What information you found relating to your company.**
Summary	____________	______________________________
Historical Prices	____________	______________________________
Charts		
Interactive	____________	______________________________
Basic Chart	____________	______________________________
Basic Tech. Analysis	____________	______________________________
News & Info		
Headlines	____________	______________________________
Message Boards	____________	______________________________
Market Pulse	____________	______________________________
Fund		
Profile	____________	______________________________
Performance	____________	______________________________
Holdings	____________	______________________________
Risk	____________	______________________________
Purchase Info	____________	______________________________
Analyst		
Research Reports	____________	______________________________

Go to Finance.yahoo.com to look up your company information.

Dow Jones Industrial Average

Quotes	**Date Checked**	**What I found that would be important to investors.**
Summary		
Components		
Options		
Historical Prices		
Charts		
Interactive		
Basic Chart		
Basic Tech. Analysis		
News & Info		
Headlines		

Purchase Order

My stock's name is: ____

Its closing price was $ _____________ on _____________.

I am buying __________ shares at $ ____________ per share.

The total spent on this company is $ ____________. I now have $ ___________ left over which can be added to my unspent money for my next purchase.

My stock's name is: ____

Its closing price was $ _____________ on _____________.

I am buying __________ shares at $ ____________ per share.

The total spent on this company is $ ____________. I now have $ ___________ left over which can be added to my unspent money for my next purchase.

My mutual fund is: ____

Its closing price was $ _____________ on _____________.

I am buying __________ shares at $ ____________ per share.

The total spent on this fund is $ ____________. I now have $ ___________ left over which can be held over till the sales day and be added to any profits / losses.

Daily Closing Price

Name of Companies: (1) ____________________ (2) ____________________

Date	**1st week**	Symbol (1)	Symbol (2)		Date	**5th week**	Symbol (1)	Symbol (2)
	Mon.					Mon.		
	Tues.					Tues.		
	Wed.					Wed.		
	Thurs.					Thurs.		
	Fri.					Fri.		
	2nd week					**6th week**		
	Mon.					Mon.		
	Tues.					Tues.		
	Wed.					Wed.		
	Thurs.					Thurs.		
	Fri.					Fri.		
	3rd week					**7th week**		
	Mon.					Mon.		
	Tues.					Tues.		
	Wed.					Wed.		
	Thurs.					Thurs.		
	Fri.					Fri.		
	4th week					**8th week**		
	Mon.					Mon.		
	Tues.					Tues.		
	Wed.					Wed.		
	Thurs.					Thurs.		
	Fri.					Fri.		

Order to Sell

The stock's name is: ____

I sold __________ shares at the closing price of $_____________ per share.

Closing Price x Shares Owned = Total Value of Shares Sold

__________ x ___________ = $ ______________

Purchase Price $ __________ - value of shares sold = Profit / Loss $ _______________

The stock's name is: ____

I sold __________ shares at the closing price of $_____________ per share.

Closing Price x Shares Owned = Total Value of Shares Sold

__________ x ___________ = $ ______________

Purchase Price $ __________ - value of shares sold = Profit / Loss $ _______________

The stock's name is: ____

I sold __________ shares at the closing price of $_____________ per share.

Closing Price x Shares Owned = Total Value of Shares Sold

__________ x ___________ = $ ______________

Purchase Price $ __________ - value of shares sold = Profit / Loss $ _______________

Total profit or loss of portfolio $ _______________

Daily Closing Price

Date	1st week	Mutual Fund	Dow	Date	5th week	Mutual Fund	Dow
	Mon.				Mon.		
	Tues.				Tues.		
	Wed.				Wed.		
	Thurs.				Thurs.		
	Fri.				Fri.		
	2nd week				**6th week**		
	Mon.				Mon.		
	Tues.				Tues.		
	Wed.				Wed.		
	Thurs.				Thurs.		
	Fri.				Fri.		
	3rd week				**7th week**		
	Mon.				Mon.		
	Tues.				Tues.		
	Wed.				Wed.		
	Thurs.				Thurs.		
	Fri.				Fri.		
	4th week				**8th week**		
	Mon.				Mon.		
	Tues.				Tues.		
	Wed.				Wed.		
	Thurs.				Thurs.		
	Fri.				Fri.		