



**PACIFIC NW**  
FEDERAL CREDIT UNION



# The Stock Market





# What is a Stock?

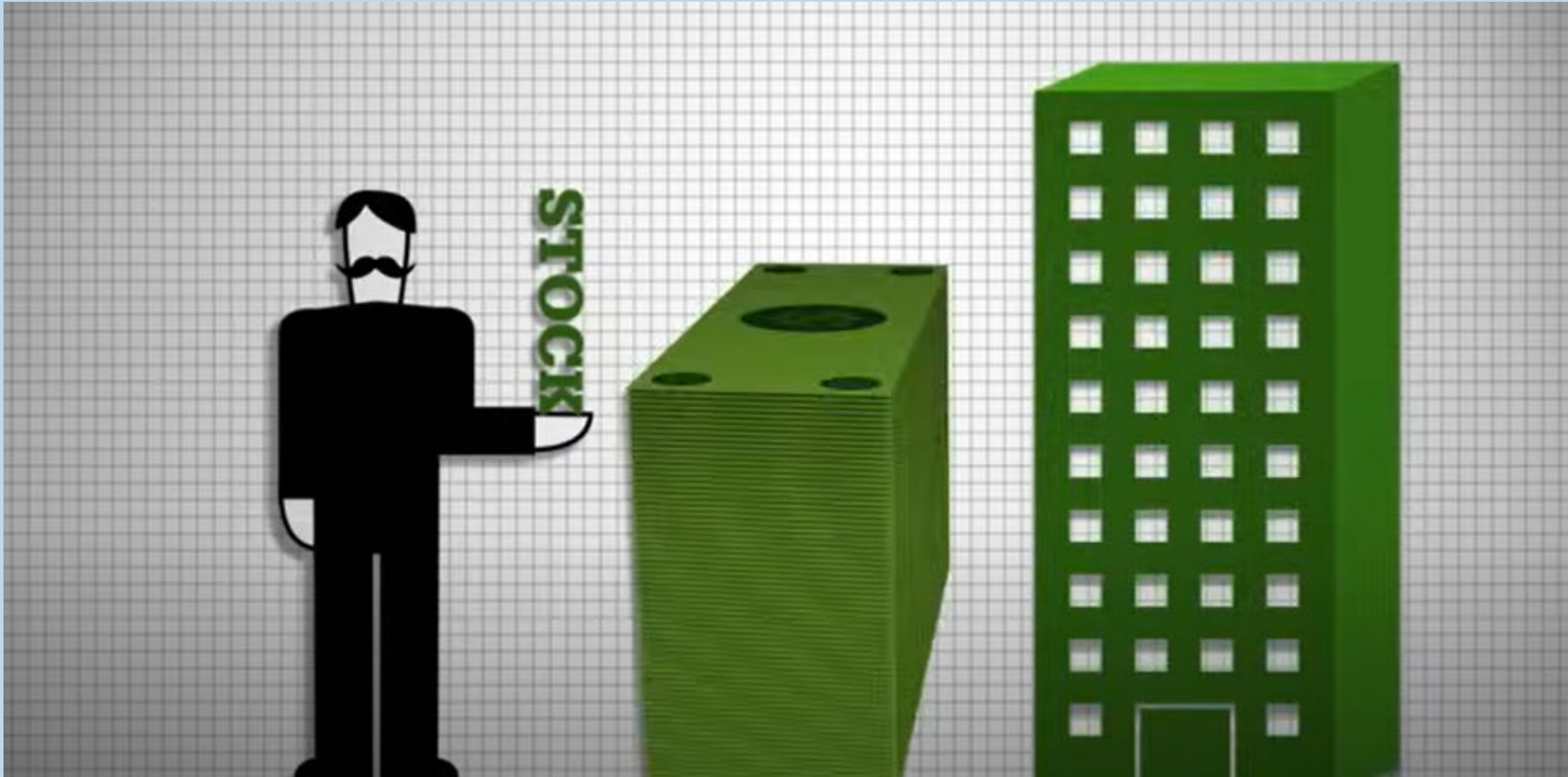
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A stock exchange, or stock market, is a system for buying and selling stocks and bonds, also known as securities. A stock is a share in the ownership of a company. Companies sell securities to people to get the money they need to grow. People buy securities as investments, or ways of possibly earning money.

Photo: New York Stock Exchange



Watch this video for an example of how stocks work.



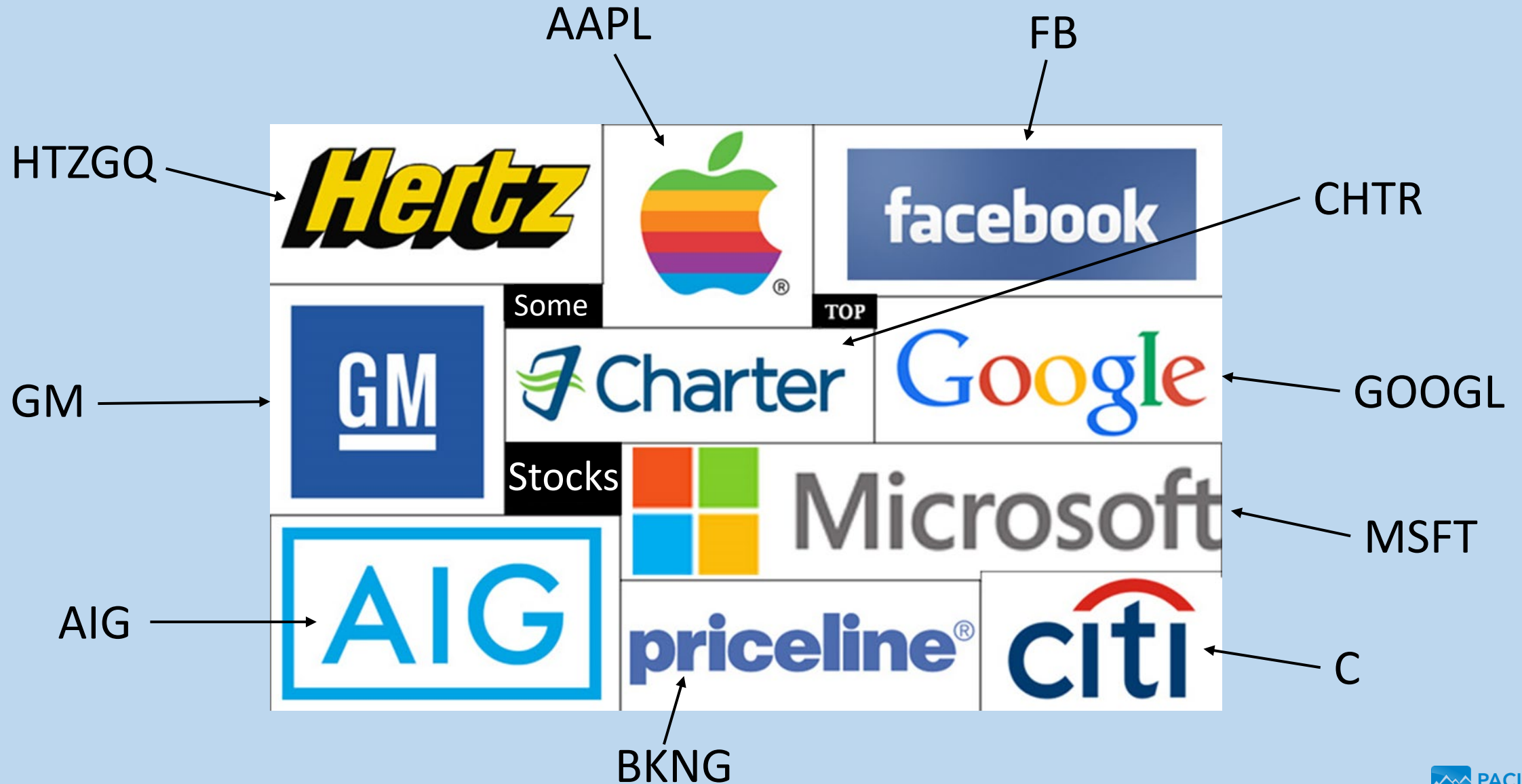
<https://www.youtube.com/watch?v=JrGp4ofULzQ>

You might recognize some of these stocks...



Buying stock in these companies means you own a small portion of the company.

# Each stock is recognized with a “ticker” symbol



# Initial Public Offering (IPO)

The first time a stock is sold to the public – this is a company's launch into being a publicly traded company and its debut in the stock market.







# Making & Losing Money

## **Can you lose everything in the stock market?**

If you are foolish, YES! If you invest more than you can afford to lose, and the stock loses money, you're in trouble!

However, if you invest only what you can afford and diversify your investments (buy stock from many companies who serve diverse roles), you can do very well.

When you diversify, even if one stock loses money, the others will likely still be okay. Keep in mind, stock prices fluctuate a great deal so even if a stock drops lower than you expected, the price still has potential to go back up.

If your stock price drops below your purchase price YOU haven't lost money yet because it still has potential to go back up. You only lose if you SELL while the stock is down.

# How do you make money in the market?

1. **Stock Price Goes Up and You Sell** - Buy low, sell high
2. **Dividends** - Dividends are payments made by publicly-listed companies as a reward to investors for putting their money into the venture. Not all companies pay dividends – you can research this before purchasing a stock.





# What causes stock prices to change?

- Supply and Demand
- Earnings and Expectations
- Sentiments and Attitudes
- Economic Indicators
- Bandwagon Bias – doing what others are doing (such as in the GameStop short)
- Anything! The stock market responds to all sorts of events; natural disasters, change in leadership, etc. Seemingly unrelated events can cause stocks to soar or crash.



52W high	52W low	Stock	Ticker	Div	Yield %	P/E	Vol 00s	High	Low	Close	Net chg
\$45.39	19.75	ResMed	RMD			52.5	3831	42.00	39.51	41.50	-1.90
11.63	3.55	Revlon A	REV				162	6.09	5.90	6.09	+0.12
77.25	55.13	RioTinto	RTP	2.30	3.2		168	72.75	71.84	72.74	+0.03
31.31	16.63	RitchieBr	RBA			20.9	15	24.49	24.29	24.49	-0.01
8.44	1.75	RiteAid	RAD				31028	4.50	4.20	4.31	+0.21
\$38.63	18.81	RobtHalf	RHI			26.5	6517	27.15	26.50	26.50	+0.14
51.25	27.69	Rockwell	ROK	1.02	2.1	14.5	6412	47.99	47.00	47.54	+0.24

# Reading a Stock Table

**Ticker Symbol** – the alphabetic name that identifies the stock.

**Price** – current stock price

**Open** – current day's opening price

**Close** – the last trading price from the previous day

**Net Change** – the net change from the previous day

**Day's Range** – the current day's price range

**52-Week Hi and Low** – the highest and lowest prices at which a stock has traded over the past year

**Trading Volume** – the total number of shares traded for the day

**Market Capitalization** – the market value of the company

**Dividend Per Share** – annual dividend payment per share.

**Price/Earnings Ratio** – the current stock price divided by earnings per share for the last four quarters

# Bulls and Bears

## CHARACTERISTICS OF A BULL MARKET

- Share prices are rising
- Buying is encouraged
- Economy is strong
- Unemployment rates are generally low





# Bulls and Bears

## CHARACTERISTICS OF A BEAR MARKET

- Share prices are dropping
- Investor confidence is low
- Weakness in leading stocks – “bellwether” stocks are more susceptible to changes in the economy.



# Ownership of a Company

A hand is shown holding a wedge-shaped slice of a large, gold-colored coin. The coin has a dollar sign (\$) embossed on its surface. The background is a dark, textured blue.

Stockholders are part owners of the company, and as such have a say in decisions the company makes. But, since most companies have thousands of shareholders with millions of shares, most stockholders have little say in the company.

**Controlling Share:** Typically owning more than 50% of a company's stock. This person controls the company.



# Where are Stocks Traded?

**Stock Exchanges:** Markets where businesses buy and sell stock. Most industrialized nations have one. The U.S. has several.

In the U.S. the two largest are:

- The New York Stock Exchange** (aka. Wall Street), which represents the oldest and largest corporations in the country.
- The NASDAQ** in Chicago represents newer companies.





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