Economics Unit 3

Stock Market Test Review
To adjust Audio go to
Tools>audio>audio wizard
History to know...

- First stock exchange was started in 1531 in Antwerp, Belgium
- New York Stock Exchange (NYSE) started in 1792 on Wall Street
- Curb Trading
- American Stock Exchange: 1908
- NASDAQ: technical businesses like Microsoft
Stocks and Bonds

- 1700s first American banks were being built and they needed cash.
- They sold bonds and shares.
- If you own a bond, you are a lender, if you own a stock you are part owner.
- Government has sold bonds to finance wars.
Stock Market History

- Industrial Revolution, moved from agricultural to industrial economy led to NYSE peak, early 1900s.
- Crash of Stock market in 1929 led to the Great Depression, made millions poor in space of few hours.
- Crash of October 19, 1987, actually harsher
- Crash of 2008
Some basics: a review

- **Profit**: gains made by a company or business
- **Demand**: a call for a particular good or service.
- **Retail**: sales direct to consumer with costs to cover manufacturing, advertising, overhead, etc.
Terms to know:

- Share: corporation’s capital stock divided into equal parts.
- Shareholder: stockholder, investor and part owner of company.
- Dividend: What you earn on your shares, your profit.
- Issue: When a company sells stock.
- Volatility: risks and potential profits
Types of Stocks

- Penny stocks: small companies, likely to stay small.
- Blue Chip Stocks: Very large, strong companies that can withstand downturn.
- Common Stock: basic stocks, higher risks.
- Preferred Stock: have a guarantee on returns, paid first, then rest goes to common stock holders.

***Safest? Blue Chip Stocks***
So you want to buy stocks?

- You’ll use a broker at a brokerage house to purchase them.
- A Prospectus: business plan, financial status, can help you decide on stocks.
- Your broker calls a floor broker who makes the transaction on the stock exchange floor.
- The transaction is recorded.
- You will pay for broker service with a brokerage fee, commissions, and sometimes transaction fees.
- There are also discount brokerages on the internet which are cheaper, but you do more work yourself.
Open Mutual Funds, you and millions of others invest money together. Professionals invest the money for you.
Keeping Track

- Follow stocks with the Wall Street Journal or Barron’s.
- You can also follow the stock ticker which constantly updates you on the stock exchange.
Terms for ups and downs

- Dow Jones Industrial Average: a measure of the nations top 50 corporations stock values.
- Dip or Downturn: a drop in the market, could be a good time to buy.
- Plunge: more exaggerated than a dip.
- Correction: When the market stabilizes itself.
- Climb: rise in the market, could be a good time to buy.
How do I make money in stock market?

- If the stock you’ve invested in increases in value and you sell or trade it, you’ve made a profit.
- If the stock decreases in value, you’ve taken a loss.
- Bear market: pessimistic outlook, think market will go down, want to sell
- Bull market: optimist outlook, think market will go up, want to buy.
- Percent Yield: Shows how much you will be paid in dividends in one year’s time.
- Fixed dividend payment: return with a set limit.
- **Symbol:** 1-4 character nickname
- **High-low-close:** will show activity from the day before.
- **Net:** change of price from previous day
- **Volume:** Number of actual shares traded (x 100, unless z)
- **52 Week high/low:** larger the #, bigger risk, lower the #, lower the risk.
- **Price/Earnings ratio (PE):** Shows ratio between stock prices and earnings, usually a years worth
- **Point:** standard unit of value in Stock Market
Dollar Reaction to Retail Sales

- Retail Sales Up
- Retail Sales Down
Dow Jones Industrial Average

Number of People in Suits Shopping at Wal-Mart

Oct-06, Jan-07, Apr-07, Jul-07, Nov-07, Feb-08, May-08, Aug-08, Dec-08, Mar-09