



glossary of terms

Sources: www.investopedia.com, www.investorwords.com

Stock Market – an aggregate market for stocks, where they are bought, sold and exchanged based on market forces and the supply and demand for those stocks

Stock Exchange – an organization that provides a marketplace for either physical or virtual trading shares, bonds and warrants and other financial products where investors (represented by stock brokers) may buy and sell shares of listed companies

Federal Reserve System (The Fed) – the central bank of the US responsible for regulating US monetary and financial systems through 4 general duties: conducting monetary policy; regulating banking institutions and protecting the credit rights of consumers; maintaining the stability of the financial system; and providing financial services to the US government

Securities and Exchange Commission (SEC) – a government commission created by Congress to regulate the securities markets and to protect investors by administering statutes designed to promote full public disclosure to discourage fraud and manipulative practices in the securities markets; it also monitors the corporate takeovers that occur between public companies

Floor Broker – an employee of a member of a firm who executes trades on the exchange floor on behalf of the firm's clients at the best possible price

New York Stock Exchange (NYSE) – a corporation responsible for listing securities, setting policies and supervising the stock exchange (the trading of stocks between buyers, sellers, firms) and its member activities

STOCKS & INDICES

Dow Jones Industrial Average (DJIA) – a stock index comprised of 30 blue chip (the largest and most influential) stocks from the NYSE and NASDAQ, as selected by the editors of *The Wall Street Journal*, whose performance serves as a benchmark for the entire market

Standard & Poor's 500 (S&P 500) – a stock index comprised of the 500 most widely held American corporations, chosen with respect to market size, liquidity and industry sector by the S&P committee

Wilshire 5000 (TMWX) – a stock index containing over 6,500 stocks that trade in the US and is known as the “total market index” because it includes all NYSE listed stocks and the majority listed on the NASDAQ and AMEX

Russell 2000 – a stock index that measures the performance of small-cap stocks that are usually not included in larger indices, enabling investors to better gauge the growth potential of smaller companies



Growth Stock – a stock with earnings' growth at a rapid pace that is expected to continue to grow at high levels in the future

Income Stock – a stock with a history of paying consistently high dividends on a regular basis

Blue Chip – stock of a well-established and financially sound company that has demonstrated its ability to pay dividends during economic booms and recessions, making it less risky than many other stocks; its performance usually follows that of the S&P 500 since many blue chips are part of that index

Value Stock – a stock in which the intrinsic value of the stock is greater than the stock's market value (current price), as determined by a valuation model assessing what the intrinsic price would be and how much the company would be worth

case study: billionaire investors



Warren Buffett: Also known as "The Oracle of Omaha," many people consider Buffett the greatest investor ever. Even with all the success and accolades, he still lives in the house he bought for \$31,500 over 40 years ago. What's most intriguing about Buffett is that he is one of the few extremely rich people who has amassed wealth solely through investing in stocks. His investment strategy of discipline, patience and value consistently outperforms the market and his moves are followed by thousands of investors worldwide. He is also famous for not joining the infamous tech/Internet stock rally in the late 1990s, stating that he refuses to invest in companies that he can't visualize 10 years down the road.



Peter Lynch: Arguably the world's most famous mutual fund manager. Often described as a chameleon, he adapted to whatever investment style worked at the time (growth vs. value). He was one of the first to uncover hidden gems such as Dunkin' Donuts, Pier 1 Imports and Taco Bell. People began to criticize Lynch once his fund surpassed \$1 billion in assets in the early 1980s, but the fund rose to \$13 billion less than seven years later. He admits to taking plenty of risks while managing the Magellan Fund, but he never suffered a losing year. According to Valueline, "a \$10,000 investment into Magellan in 1978 and then adding \$100 per month, would add up to over \$1 million, in 20 years!" While at the helm of Magellan, Lynch achieved an average annual return of 29% a year.

how to read the Wall Street Journal

Source: <http://info.wsj.com/college/guidedtour/index.html>

Stock Tables/Quotes

Open any financial paper and you will see stock quotes that look something like the image below. In this section, we'll explain how to make sense of these tables so that you can use the information to your advantage. Even if you don't plan to read the stock quotes, it's helpful to understand what the columns mean because it is the same for online too.



52W high	52W low	Stock	Ticker	Div	Yield %	P/E	Vol 00s	High	Low	Close	Net chg
s45.39	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
s38.63	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

Column 1 Column 2 Column 3 Column 4 Column 5 Column 6 Column 7 Column 8 Column 9 Column 10 Column 11 Column 12

- **Columns 1 & 2: 52-Week High and Low.** These are the highest and lowest prices at which a stock has traded over the past 52 weeks (1 year). This typically does not include the previous day's trading.
- **Column 3: Company Name and Type of Stock.** This column lists the name of the company. If there are no special symbols or letters following the name, it is common stock. Different symbols imply different classes of shares. For example, "pf" means the shares are preferred stock.
- **Column 4: Ticker Symbol.** This is the unique alphabetic name which identifies the stock. If you watch financial TV, the ticker tape will quote the latest prices alongside this symbol. If you are looking for stock quotes online, you always search for a company by the ticker symbol. If you don't know a particular company's ticker symbol, you can search for it at Yahoo Finance
- **Column 5: Dividend Per Share.** This indicates the annual dividend payment per share. If this space is blank, the company does not currently pay out dividends.
- **Column 6: Dividend Yield.** The percentage return on the dividend, dividend yield is calculated as annual dividends per share divided by price per share.
- **Column 7: Price/Earnings Ratio (P/E ratio).** This is calculated by dividing the current stock price by earnings per share from the last four quarters. (For more on how to interpret this, see Understand the PE Ratio.)
- **Column 8: Trading Volume.** This figure shows the total number of shares traded for the day, listed in hundreds. To get the actual number traded, add two zeros to the end of the number listed.
- **Column 9 & 10: Day High and Low.** This indicates the price range in which the stock has traded throughout the day. In other words, these are the maximum and the minimum prices that people have paid for the stock.
- **Column 11: Close.** The close is the last trading price recorded when the market closed on the day. If the closing price is more than 5% above or below the previous day's close, the entire listing for that stock is bold-faced. Keep in mind, you are not guaranteed to get this price if you buy the stock the next day because the price is constantly changing, even after the exchange is closed for the day. The close is merely an indicator of past performance and, except in extreme circumstances, it serves as a ballpark of what you should expect to pay.
- **Column 12: Net Change.** This is the dollar value change in the stock price from the previous day's closing price. When you hear about a stock being "up for the day," it means the net change was positive.

Quotes on the Internet

Nowadays, it's far more convenient for most people to get stock quotes off the internet. This method is superior because most sites update throughout the day and give you more information, news, charting and research.

To get quotes, simply enter the ticker symbol into the quote box of any major financial site like Yahoo Finance, CBS Marketwatch, or Quicken.com. The example below shows a quote for Microsoft (MSFT) from Yahoo Finance. The data can be interpreted exactly as it would if it were from the newspaper.



MICROSOFT CP (NasdaqNM:MSFT)						
Last Trade 4:00pm - 50.05	Change -2.07 (-3.97%)		Prev Cls 52.12	Open 52.53	Volume 32,202,000	
Day's Range 49.996 - 52.676	Bid 50.06	Ask 50.09	P/E 43.43	Mkt Cap 271.0B	Avg Vol 29,219,272	
52-wk Range 47.50 - 76.15	Bid Size 1,000	Ask Size 1,000	P/S 10.19	Div/Shr N/A	Div Date 26-Mar-99	
1y Target Est 71.89	EPS (ttm) 1.20	EPS Est 1.82	PEG 2.00	Yield N/A	Ex-Div 29-Mar-99	
Chart , Financials , Historical Prices , Insider , Messages , News , Options , Profile , Reports , Research , SEC Filings , Upgrades , more...						

Stock Ticker

If you've ever watched a financial program on CNBC or CNNfn, you've probably noticed the numbers scrolling along the bottom of the TV screen. These are known as [stock tickers](#), a technology that has evolved substantially since it was invented in the late 1800s.

MSFT ^{5K} @ **61.25** ▼ **1.35**

↑ ↑ ↑ ↑ ↑
Ticker **Shares** **Price** **Change** **Change**
Symbol **Traded** **Traded** **Direction** **Amount**

Ticker Symbol	This refers to the unique characters that are used to identify the company.
Shares Traded	This is the volume of the trade being quoted. Abbreviations are K = 1,000, M = 1,000,000 and B = 1,000,000,000
Price Traded	The price per share for the particular trade.
Change Direction	Shows whether the price was higher or lower than the previous day's closing price.
Change Amount	The difference in price from the previous day's close.

On many tickers, colors are also used to distinguish the price at which the stock is trading. Here is the color code used by most TV stations:

Green: indicates that the stock is trading higher than the most recent close.

Red: indicates that the stock is trading lower than the most recent close.

Blue or White: means that the stock has remained at the most recent closing price.

Because there are literally millions of trades done on more than 10,000 different stocks every day, it's impossible to report every single trade on the ticker tape. Most ticker tapes will select which trades to show based on factors such as volume, trading activity, price change and how widely a stock is held.