

ACTIVITY 4.1

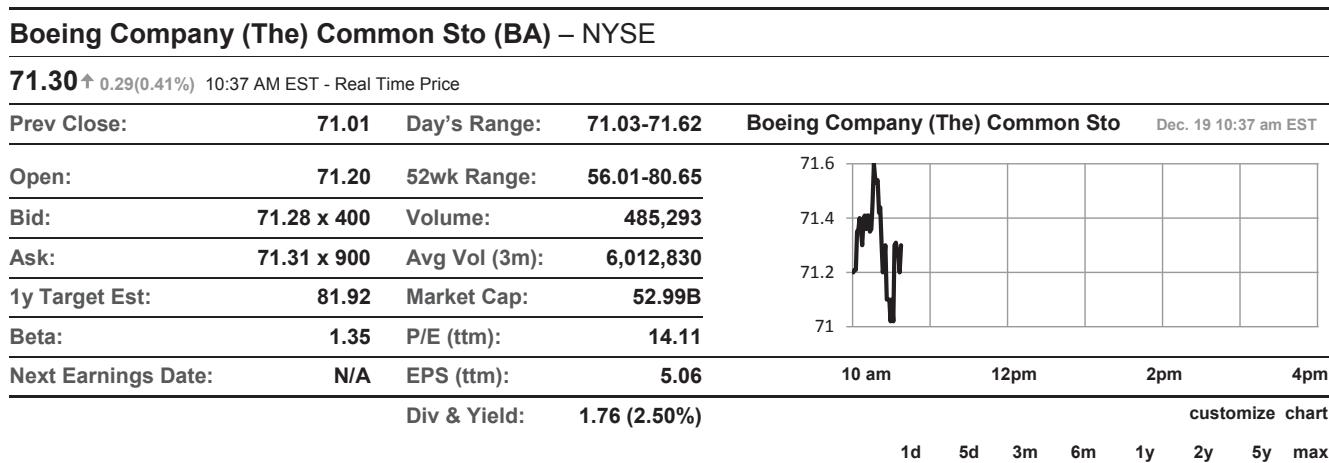
READING A STOCK TABLE

1. Overview of Financial Reporting

A wide variety of media outlets report on the world of stocks, mutual funds, and bonds. One excellent source is *The Wall Street Journal*, in print or online at <http://wsj.com> (subscription required for most content). Other newspapers and their websites have up-to-date information. Broadcast and cable networks report on investments as part of their coverage. Today, however, the most current sources of information for investing are online, including Yahoo! Finance, Google Finance, and CNN Money. Like the other outlets, these sites carry articles on changes in the financial markets and news about corporations. But the online sources are especially good at instantly updating the prices of stocks, bonds, the dollar, and other currencies and commodities. With free interactive tools, you can look for financial assets meeting particular criteria or customize graphs to help you understand price movements.

2. Examples of Online Stock Listings

The table below shows a typical online finance site entry for the aerospace company Boeing, followed by descriptions of the reported data.



Key to Stock Tables

At the top of the chart we find the stock's name and symbol along with the exchange where it is listed. The Boeing Company has the symbol BA and is traded on the New York Stock Exchange (NYSE). By typing in "BA" at websites and search engines, you can quickly get news and quotes about Boeing. "BA" uniquely identifies the stock.

Last Trade Price: This is the first and largest number you see: the price, in dollars and cents, at which the stock most recently was bought and sold. (You can refresh your browser during trading hours and see how the price changes as trades continue.)

Change: The change, positive or negative, between the most recent trade and the previous day's closing price. Positive changes are green with an up arrow. Negative changes are red with a down arrow. Changes will typically be listed as dollars and cents, and also as percentages (in parentheses).

Trade Time: The time of the reported trade. Sometimes results are almost instantaneous and are reported as “Real Time.” Free services may also report trades with a 15- or 20-minute delay.

Prev Close: The price of the last trade from the previous trading session, Monday through Friday.

Open: The price of the first trade of the day.

Bid: Currently, the best price a buyer is willing to pay for a stock, followed by the multiplication symbol (x) and the number of shares that buyer would like to purchase at the bid price.

Ask: Currently, the best price at which a seller will offer a stock, followed by the multiplication symbol (x) and the number of shares that seller would like to sell.

1y Target Est: This is an estimate of the stock’s “target price,” the price at which the stock will be selling a year from now. The estimate comes from analysts who follow the stock. Their opinions are collected by a financial service and provided free by most financial websites. (For more detailed or personalized information, you would have to pay.)

Beta: An estimate of the stock’s variability in following the overall market. For example, a stock with a beta of 1.00 has about the same variability as the overall market. A stock with a beta of 1.20 is about 20 percent more variable than the market. Traders aiming for short-term gain may seek out high-beta stocks. High-beta stocks gain more in good times (and lose more in bad times) than do low-beta stocks.

Next Earnings Date: The next date on which the company is to release earnings information.

Day's Range: The highest and lowest prices at which a stock has traded during the current session. This will be reported as “N/A” (not applicable) before the market opens.

52wk Range: The highest and lowest prices at which a stock has traded during the current 52-week period. If these numbers are very close together, it indicates a stock that has not moved very much. This may be an important and stable stock for some investors to hold. However, for players in stock market competitions and active short-term investors, a stock that moves around more may be a better choice. For those stocks that move around a lot, there will typically be reasons for the movement in the news coverage on the company.

Volume: The number of shares that have been traded during the current session.

Avg Vol (3m): The number of shares traded daily, on average. (The formula is somewhat complicated and goes back three months.) This can help you evaluate whether a given day’s volume is unusually high—if it is, find out why.

Market Cap: This is the “market capitalization,” or total value of the company as determined in the stock market. It equals the number of shares of stock outstanding times the current price. Diversifying a stock portfolio includes getting small-cap, mid-cap and large-cap stocks. Those seeking price movement for stock market competitions may find good bets in small-cap stocks, which are not as well known as large-cap stocks such as Apple and Coca-Cola.

P/E (ttm): This is the Price-Earnings ratio, or P/E ratio. It is calculated by dividing the stock’s most recent price by its annual earnings per share. The higher the P/E ratio, the

more profit growth shareholders expect from the company. A low P/E ratio means the stock's price is expected to more closely reflect the current earnings of the stock. When a company has losses for the last year, no P/E ratio will be reported. P/E ratios are useful in comparing companies in the same industry but can vary widely across industries. The "ttm" in the abbreviation stands for "trailing twelve months," meaning that earnings are calculated for the most recent 12 months.

EPS (ttm): This figure is "earnings per share," one measure of the profit attributable to each share of stock. It comes from dividing reported earnings by the number of shares of stock outstanding. Like the P/E ratio, it is commonly calculated on a "trailing twelve months" basis.

Div & Yield: These numbers show the dividend per share paid out over the last 12 months in dollars and cents, followed by the yield (that same dividend as a percentage of the most recent price per share). Dividends vary across industries, with some companies paying large dividends and others paying no dividends at all. To compare dividends across industries, use the yield figure since it is already in percentage terms. Some investors use dividends as a regular source of income and so they are interested in the dividend and yield figures. Other investors are more interested in the growth of the share price and are less concerned with dividends.

Stock Listing Questions

Directions: Use information from the online stock listings to write answers to the following questions.

- A. What is the 52-week high stock price for Boeing?

- B. By 10:37 a.m. on that December 19, how many shares of Boeing stock had been traded?

- C. What is the 52-week low stock price for Boeing?

- D. What is the annual dividend for Boeing?

- E. What was the closing price of Boeing stock on the previous day of trading?

- F. When the website was consulted, was Boeing stock up or down for the day? How much? What percentage was that?

- G. What is the percentage yield for Boeing?

- H. What is the price/earnings ratio for Boeing?

Questions for Discussion

- A. What is revealed about a company by the 52-week high and low?

- B. Why might dividends be important to some people?

- C. What do investors expect to happen when the P/E ratio of a company is high for its industry?

ACTIVITY 4.2

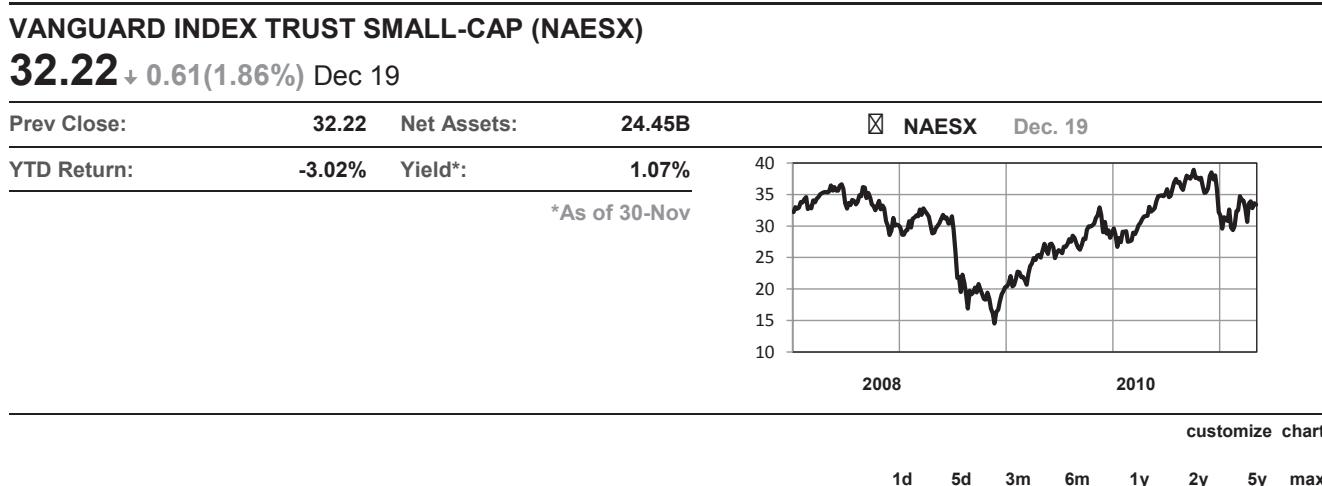
READING A MUTUAL FUND TABLE

1. What Is a Mutual Fund?

A mutual fund is a pool of money used by a company to purchase stocks, bonds, or money market assets on behalf of fund investors. Mutual funds allow the investor to diversify—to invest in many different companies and industries. Investing in a mutual fund makes you a shareholder in the fund. Each fund has a manager, whose duty is to make sound decisions on behalf of shareholders.

2. Online Mutual Fund Listings

Here is one day's listing from the Vanguard Small Cap Index Fund :



Here's what the notations on the listing mean:

Net Asset Value (NAV): This is the first and largest number you see, calculated by adding up the value of the stocks, bonds, or other assets of the fund, subtracting the fund's liabilities and dividing the result by the number of fund shares available. Net Asset Value represents the value of a share of the fund. It is the price you would pay to buy a share of the fund and the price you would receive for selling a share of the fund, not counting costs of the transaction such as any fees or commissions.

Change: \downarrow 0.61 shows how much the Net Asset Value changed from the previous trading day. The change is given both in dollars and cents (0.61), and in percentage form (1.86%).

Trade Time: Dec 19 is the day used to calculate Net Asset Value. Mutual funds are revalued once a day using closing prices, rather than being continuously revalued during the trading day like stocks.

Prev Close: This figure is the closing Net Asset Value from the previous day's trading.

YTD Return: This figure is the year-to-date percentage change in the fund value, including reinvestment of fund proceeds, less annual expenses paid by investors. It is recalculated monthly, so any changes since the end of last month will not be reflected in this figure.

Net Assets: This number equals the mutual fund's total assets minus total liabilities. This is the best measure of a fund's overall size. Overall size can measure popularity of a fund, but it does not reliably predict the performance of a fund.

Yield: This number represents the total dividends and interest earned by the fund's assets, net of the fund's expenses. It is stated as an annual percentage figure and, like net assets and year to date return, is calculated monthly.

Directions: Use information from the online listing examples to answer the following questions.

- A. What is the Net Asset Value of the Vanguard Small-Cap Index Fund?

- B. What is the year-to-date percentage rate of return of the Vanguard Small-Cap Index Fund?

- C. What is the net change in this fund's price?

- D. What is the current yield of this fund?

- E. If an investor purchased 100 shares of the Vanguard Small-Cap Index Fund on December 18, how much would the investor pay?

ACTIVITY 4.3

READING A BOND TABLE

1. What Is a Bond?

Bonds are issued when governments or companies want to borrow large amounts of money. The buyer of a bond lends money to the bond issuers. The bond itself is simply a certificate that legally establishes the borrowing transaction and specifies what will be repaid—typically, a specified amount of interest each year up to the maturity date of the bond, at which time the original sum is also due. For example, suppose you buy a \$1,000 bond in Xerox Corporation with a 10-year maturity date at 6 percent interest. This means that the corporation guarantees to pay you \$60 in interest per year for 10 years. (Usually, each year's interest is divided into two payments six months apart.) Finally, when the bond matures Xerox Corporation repays you the \$1,000.

Unlike stocks, corporate bonds do not represent shares of ownership in a company. Like stocks, bonds are traded in financial markets. As trading goes on, the agreed-to interest paid on a bond stays the same. But the price of a bond may change and that will change the effective interest rate earned by someone who buys the bond. Consider that \$1,000 Xerox bond with a stated 6 percent interest rate. The \$60 annual payment is fixed. If the price of the bond goes up to \$1,200, the bondholder still receives the agreed-to \$60—but that is only 5 percent of \$1,200 (\$60 divided by \$1,200). If the price of the bond falls from \$1,000 to \$800, the annual interest rate increases to 7.5 percent (\$60 divided by \$800).

You can see that the effective interest rates received by investors change when bond prices change. When bond prices are pushed higher, interest rates fall. When bond prices fall, interest rates rise. This is referred to as the *inverse relationship between bond prices and interest rates*.

2. Online Bond Listings

Here is a sample listing for a corporate bond issued by the communications company Sprint Nextel. (Bond information is not as widespread as stock information online, nor are listings standardized. However, useful information is available through the Bond Screener tool at <http://finance.yahoo.com/bonds> and at <http://www.morningstar.com/topics/bonds.htm>.)

SPRINT NEXTEL CORP		As of 22-Dec
OVERVIEW		
Price:	118.00	
Coupon (%):	9.250	
Maturity Date:	15-Apr-2022	
Yield to Maturity (%):	6.884	
Current Yield (%):	7.839	
Rating from Rating Service:	BB	
Coupon Payment Frequency:	Semi-Annual	
First Coupon Date:	15-Oct-1992	
Type:	Corporate	
Callable:	No	

Price: This is the price of the bond, quoted as a percentage of the original \$1,000 price. To get the current price of this bond in dollars, take the quoted price, divide by 100 and multiply by \$1,000. Or, to simplify, take the quoted price, stick a dollar sign in front of it, and add a zero on the end. A bond quoted at 115, for example, is selling for (\$1,150).

Coupon (%): This is the stated interest rate when the bond was issued. The Sprint Nextel bond's coupon rate of 9.250 percent means that the bondholder gets \$92.50 annually from holding the bond. (The term dates back to a time when bond investors actually clipped paper coupons to turn in to receive their interest payments.)

Maturity Date: This is the date on which the last interest payment and the return of the bondholder's original investment will take place.

Yield to Maturity (%): This number represents the annual percentage return that would be received by an investor holding the bond until the maturity date, at which time the original principal is returned and the last interest payment is made. The actual return will be different if the bondholder sells before maturity—possibly higher and possibly lower.

Current Yield (%): This is the yearly interest on a bond divided by its current selling price. It shows the return a bondholder would get by buying today and holding the bond a year, if the bond's price remains steady. The actual yield a bondholder gets will typically be higher or lower because of changes in the bond's price.

Rating from Rating Service: Here the table reports a letter rating that can be as high as AAA or as low as D, assigned to reflect the riskiness of holding the bond. Ratings come from agencies such as the Fitch Group and Standard & Poor's. Different services use the same letter grades but capitalize them differently. For example, Aaa at Moody's Investor Service is the same rating as AAA at Standard & Poor's.

Coupon Payment Frequency: This reports how frequently interest payments are made on the bond. Most bonds pay every six months (semi-annually).

First Coupon Date: This is the date when the first regular interest payment was made on the bond.

Type: This entry classifies the bond as corporate, municipal or treasury.

Callable: This entry indicates whether the borrower can redeem or “call” the bond before maturity, as specified in the bond agreement. If interest rates fall, issuers may call bonds in order to borrow at the new and lower rate. Bond investors must remember that a bond with an attractive interest rate may not actually pay that high interest if it is callable.

Questions for Discussion

Directions: Use information from the online bond listing for Sprint Nextel to answer the following questions.

- A. What is the coupon rate of interest on the Sprint Nextel bond?

- B. What is the current price in dollars of the Sprint Nextel bond (originally sold for \$1,000)?

- C. What is the annual percentage return that would be received by an investor holding the Sprint Nextel bond until the maturity date?

- D. The Fitch Group rated a Raytheon 2018 bond as “A” on the same day that this Sprint Nextel listing appeared. In the opinion of the Fitch Group, which bond had a lower credit risk, the Raytheon bond or the Sprint Nextel bond? How can you tell?

ACTIVITY 4.4

TRACKING AND GRAPHING A STOCK

The Internet provides a wealth of information on financial assets, along with free interactive tools for analysis. In this activity, you will track and graph a stock, making predictions about where the price of the stock will go on the next trading day.

With a partner, select a stock you want to track. Look up the stock on a financial website (such as Yahoo! Finance, Google Finance, or CNN Money) and find out the ten most recent days' closing prices and volume. Fill in the first ten lines of the table with the information you find. Then make a prediction about whether the stock will go up or down the next day. Each day, fill in one more line of the table below and make a new prediction. After you have tracked the stock for ten days, answer the questions that follow the table.

Name of Company _____ Symbol _____ Exchange _____

	Date	Today's Close	Net Change	Volume	Prediction for Tomorrow (up or down)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

1. Find the company's stock price graph on a financial website. Explore how to change the time covered by the graph and view the one-year and three-month graphs; then answer: Does the company's stock price graph show a definite upward or downward trend across the time that you tracked its stock? Explain what you see on the graph.

Answer the following questions by doing online research:

2. Where is the company located?
3. What does the company produce?
4. Who are its customers?
5. What are its plans for the future?
6. What have recent news stories reported about the company?
7. Do you think there will be a growth in demand for this company's products? Why or why not?
8. If you were interested in investing in a growth-oriented company over the long term, would you want to own this company? Why or why not?

ACTIVITY 4.5

SCAVENGER HUNT

Directions: Use online financial resources to answer each of the questions below.

- A. Since the closing stock prices you see are from the previous trading day, the closing price you see reported today is actually from what date?
- B. What are the names of the two major stock markets in the United States?
- C. Complete the following table.

Company	Stock Market	Stock Symbol
Microsoft		
Walmart		
eBay Inc.		
Coca-Cola		

- D. Find the stock listing for Nike. Answer the following questions:
 1. What is the stock symbol for Nike?
 2. What is the highest price paid for Nike during the last year?
 3. What was the dividend paid by Nike during the last year?
 4. How many shares of Nike stock have been traded daily, on average, over the past three months?
 5. What is the current value of Nike's Price/Earnings ratio?
 6. How much is Nike's market capitalization?

E. Stocks showing the highest volume of trades are referred to as “volume leaders.” Look for volume leaders online and answer the following questions:

1. At the time you checked, what was the volume leader on the New York Stock Exchange? What news about that company seemed to be making the stock move?

2. At the time you checked, what was the volume leader on NASDAQ? What news about that company seemed to be making the stock move?