**Parker
Economics
Fall 2015**

**Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Step 1:** Read Chapter 11, Section 3 (“the Stock Market”). After reading the section completely, on a separate sheet of paper, answer the following questions:

1. Identify and describe the TWO ways to benefit from buying stock and the FOUR types of stock.
2. Describe in sufficient detail how stocks are traded.
3. Identify the different stock exchanges and describe the differences between them.
4. Answer this question using complete sentences: How is stock performance measured?
5. Explain the causes and effects of the Great Crash of 1929.

**Step 2:** Read this handout and answer the questions at the end.

Before investing in stocks, you will need to understand some basic tools. First…What is a *stock*?

A *stock* represent a share in the ownership of a company. If you own a company's stock, then you are an owner, or shareholder, of the company. A stock represents a claim on the company's assets and profits. A stock is also known as equity.

The ownership percent, of a company that you own is calculated by dividing the number of shares a person owns buy the number of shares of stock outstanding. For example:

1000 shares owned

10,000 shares outstanding

= 10% ownership.

One basic tool of investing is the *stock market table*, which gives you basic information and price history for stocks.  You can use it to see how stocks you own or are interested in owning are performing, how their prices are changing, and how they have performed in the past.  Reading a stock market table is simple once you understand how to do it.

Here is a sample line from a stock market table for the stock of General Electric:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **<1>** |  | **<2>** |  | **<3>** |  | **<4>** |  | **<5>** |  | **<6>** |  | **<7>** |  |
|  | **Ticker** |  | **Company Name** |  | **Sales****100s** |  | **Hi** |  | **Low** |  | **Last** |  | **Change** |  |
|  | GE |   | General Electric Co |   | 6567 |   | 26.86 |   | 24.64 |   | 25.73 |   | -2.40 |  |

|  |  |  |
| --- | --- | --- |
| **<1>** | **Stock ticker symbol** | This is the company stock symbol, and it represents the company's stock.  Often, the stock symbol is similar to the company's name. |
| **<2>** | **Company Name** | This is the name of the stock. |
| **<3>** | **Sales 100s** | The number of shares that traded the last day this stock traded.  The number is given in hundreds, so you need to add 2 zeros to the number to get the actual number of shares traded. |
| **<4>** | **Hi** | The stock's highest price the last day this stock traded. |
| **<5>** | **Low** | The stock's lowest price the last day this stock traded. |
| **<6>** | **Last** | The stock's last traded price.  Also sometimes called closing price. |
| **<7>** | **Change** | The amount of change of the stock's closing price and the prior trading day's closing price (2 trading days ago).  A "-" represents a negative change. |

You may find stock market tables in many different places.  One place to look in the financial section or your local newspaper, or in a financial publication such as the Wall Street Journal.

The internet makes looking up stock table information even easier by using such sites as Yahoo Finance.  With Yahoo Finance, simple type in the stock ticker (if you don't know it first search for it by looking it up with the company's name).

Ownership of stock is represented by a stock certificate, which also represents your ownership of the company. Today, your ownership is tracked electronically, making it easier to buy and sell shares.

So, now that you have stock and ownership of a company, you will benefit when the price of the stock goes up, or lose if the price goes down. As a part-owner of the company, you are given the right to vote for company's board of directors. Another way you may benefit is if the company pays *dividends*. *Dividends* represent a percent of the company's profit, paid to the shareholders.

Buying stock can be risky, since while the price of the stock may go up, it may also go down. If the company goes bankrupt, then you could potentially lose all the money you invested in the stock. However, that is what investing is all about. Taking risks, in the hope of making money on your investment, with no guarantee that you will make money.

**Stock Table**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | **Ticker** |   | **Company Name** |   | **Sales****100s** |   | **Hi** |   | **Low** |   | **Last** |   | **Change** |   |
|   | RIG |   | Transocean Inc |   | 16708 |   | 27.37 |   | 23.49 |   | 25.13 |   | -1.40 |   |
|   | GM |   | General Motors Corp |   | 30419 |   | 40.74 |   | 36.21 |   | 36.29 |   | 3.59 |   |
|   | NE |   | Noble Corp |   | 17727 |   | 39.71 |   | 36.44 |   | 37.68 |   | -2.06 |   |
|   | ERTS |   | Electronic Arts Inc |   | 5724 |   | 62.95 |   | 57.54 |   | 59.50 |   | -3.26 |   |
|   | AYE |   | Allegheny Energy Inc |   | 15536 |   | 8.88 |   | 8.31 |   | 8.86 |   | 0.78 |   |
|   | CAG |   | Conagra Foods Inc |   | 13301 |   | 26.06 |   | 22.85 |   | 24.88 |   | -1.01 |   |
|   | BCR |   | Bard C R Inc |   | 16605 |   | 60.48 |   | 56.71 |   | 58.81 |   | 2.11 |   |
|   | SHW |   | Sherwin-Williams Co |   | 1111 |   | 29.95 |   | 27.06 |   | 28.56 |   | 1.72 |   |
|   | HPC |   | Hercules Inc |   | 4152 |   | 9.81 |   | 8.61 |   | 9.67 |   | 0.01 |   |
|   | APD |   | Air Products & Chemicals |   | 1099 |   | 47.67 |   | 44.53 |   | 45.49 |   | -0.90 |   |

1. What is the high of the day for Sherwin-Williams Co? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. What is the difference between the high and low for Noble Corp stock? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. What is the change in price for the day for Allegheny Energy Inc? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. What is the Low of the day for Electronic Arts Inc? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Which company's stock traded the most shares today? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. What is the difference between the high and low for General Motors Corp stock? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. What is the last trade price of the day for Noble Corp? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. Is Transocean Inc.’s stock now worth more or less than yesterday's close? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9. What was the total number of shares of Allegheny Energy Inc sold on this day? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. What is the stock ticker symbol of Noble Corp? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_