Let's Talk About Stocks

A FinLit Lesson By KARA

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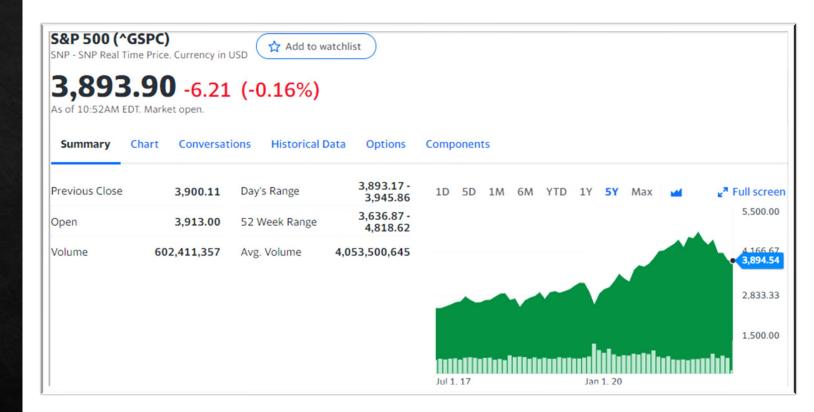
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US Stock Exchanges and Stock Indexes

A stock exchange is where stocks are bought, sold and traded. The US Exchanges are the NYSE and the NASDAQ. A stock market index tracks the ups and downs of a group of stocks (or other assets like crypto, commodities, etc.)

The S&P Index

S&P (Standard and Poor's): The S&P is a market-capitalizationweighted index of 500 leading publicly traded companies in the U.S.



It is often considered the best index to invest in because of the companies that are included. The most common ETF fund for the S&P is SPY; this stock reflects the S&P as 10% per share; if the S&P index is 4000, the cost of one share of SPY is \$400.00.

Index Funds Explained



- Index Funds are primarily based off of three indexes (Nasdaq, DOW, and the S&P). They can be bought and traded through a tool called an ETF or an Exchange Traded Fund.
- An ETF is a professionally-managed fund that invests in multiple stocks, usually either in a specific index or a specific market sector. ETFs help investors achieve diversification.
- Most investment advisors will tell you to put your first \$10,000.00 in to Index Funds.

Individual Stocks: Its Complicated!



If more people want to buy a stock (demand) than sell it (supply), then the price moves up. If more people wanted to sell a stock than buy it, there would be greater supply than demand, and the price would fall. The price of a stock indicates what investors feel a company is worth.



The value of a company is its market capitalization, this is the number of shares x the stock price. A company that has a higher stock price may not be as valuable as a lower price with more shares.

Value vs. Growth

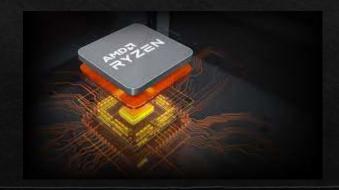
Citibank

- ♦ Market Cap 86.59B
- ♦ P/E Ratio 6.00
- ♦ Dividend Yield: 4.56%



AMD

- ♦ Market Cap 108.947B
- ♦ P/E Ratio 41.97
- No Dividend



Let's Compare (1 year)

Market Summary > Citigroup Inc

44.76 USD -14.62 (-24.62%) + past year Dec 21, 2:50 PM EST • Disclaimer 1M 6M YTD Max 44.76 USD Dec 21, 2022 60 🖌 Mar 2022 May 2022 Jul 2022 Sep 2022 Nov 2022 44.21 Open Mkt cap CDP score P/E ratio 52-wk high 69.11 High 44.17 Div yield 4.56% 52-wk low Low

Market Summary > S&P 500 3,879.29 -769.94 (-16.56%) + past year Dec 21, 2:50 PM EST · Disclaimer 6M Max 1M YTD 3,934.38 Dec 9, 2022 4,500 Mar 2022 Jul 2022 Nov 2022 4,818.62 3,839,49 Low 3,839.49 Open 52-wk high High 3,889.82 3,821.62 3,491.58 Prev close 52-wk low

Let's Compare (1 year)





Let's Compare (5 year)

Market Summary > Citigroup Inc

44.72 USD -30.73 (-40.71%) → past 5 years Dec 21, 3:37 PM EST • Disclaimer

1M

6M

YTD

60 hun 2021 44.21 86.67B CDP score Open Mkt cap High 44.89 P/E ratio 6.13 52-wk high 69.11 Low 44.17 Div yield 4.56% 52-wk low 40.00

Max

Market Summary > S&P 500 3,876.42 +1,193.08 (44.46%) + past 5 years Dec 21, 3:38 PM EST · Disclaimer 1M 6M YTD Max 3,839.49 52-wk high Low 3.839.49 4,818.62 Open High 3,889.82 Prev close 3,821.62 52-wk low 3,491.58

Let's Compare (5 year)

Market Summary > Advanced Micro Devices, Inc.

67.50 USD



Market Summary > S&P 500 3,876.42 +1,193.08 (44.46%) + past 5 years Dec 21, 3:38 PM EST · Disclaimer 6M YTD 1M Max 3,839.49 3.839.49 52-wk high Open Low 4,818.62 3,491.58 High 3,889.82 Prev close 3,821.62 52-wk low

What does this mean?!?

Advanced Micro Devices, Inc. (AMD) NasdaqGS - NasdaqGS Real Time Price. Currency in USD ☆ Follow & Visitors trend 2W↓ 10W↑ 9M↑												
67.58 As of 02:46PM E	+2.53 (+3 ST. Market open.	.89%)										
Summary	Company Insights V	Chart Conv	versations Stat	istics	Histo	orical Da	ata Pro	file	Financia	ls Ana	ysis Option	IS
Previous Close	65.05	Market Cap	108.947B	1D	5D	1M 6	M YTD	1Y	5Y Max	ud .	<mark>⊮</mark> ≉ Full scree	en
Open	65.43	Beta (5Y Monthly)	2.00								68.50 67.56	_
Bid	67.50 x 1200	PE Ratio (TTM)	41.97				de de c				67.17	
Ask	67.51 x 1300	EPS (TTM)	1.61								65.83	
Day's Range	65.21 - 67.85	Earnings Date	Jan 30, 2023 - Feb 03, 2023								65.05	
52 Week Range	54.57 - 156.73	Forward Dividend & Yield	N/A (N/A)								64.50	
Volume	33,105,766	Ex-Dividend Date	Apr 27, 1995	li di ntili	10 AM	mlimidddiadad	12 PM		nthummunthu O	2 PM		
Avg. Volume	80,917,463	1y Target Est	90.87					Tr	ade prices a	re not sourc	ed from all marke	ts:
Fair Value 🕐 🌝		Related Research (୭ 😶			ts 🕐 🎷			Daufarma	nce Outlook		
XX.XX 19% Est. Return View details	Near Fair Value	Analyst Report: Adva Devices, Inc.Advance 5 days ago • Morningst New more	d Micro Devices	600	Price	ern detec Crosses I hart pat	Moving Ave	rage	Short Term 2W - 6W	Mid Term 6W - 9	U Long U Term	

What does this mean?!?

Citigroup Inc. (C) NYSE - Nasdaq Real Time Price. Currency in USD ♀ Follow ♀ Visitors trend 2W ↑ 10W ↑ 9M ↑										
44.70 As of 02:45PM E	+0.89 (+2 ST. Market open.	.03%)								
Summary	Company Insights	Chart Conv	ersations Stat	istics	Historica	l Data	Profile	Financials	Analysis	Options
Previous Close	43.81	Market Cap	86.597B	1D	5D 1M	6M	YTD 1Y	5Y Max	ua _2	Full screen
Open	44.21	Beta (5Y Monthly)	1.57							45.20
Bid	44.69 x 1300	PE Ratio (TTM)	6.00					And A		44.71
Ask	44.70 x 1300	EPS (TTM)	7.45							44.13
Day's Range	44.17 - 44.89	Earnings Date	Jan 13, 2023							43.81
52 Week Range	40.01 - 69.11	Forward Dividend & Yield	2.04 (4.66%)		. Il a chi					43.60
Volume	12,414,781	Ex-Dividend Date	Nov 04, 2022		10 AM	ülduad bilaa	12 PM	anad Constantian 02 PM	dub A	
Avg. Volume	18,557,611	1y Target Est	56.89					Trade prices are	not sourced fr	om all markets
Fair Value 🕐 好		Related Research (୭ 😶		t Events 🕐	-				
XX.XX 9% Est. Return View details	Undervalued	Analyst Report: Citig is a global financial se 2 months ago • Mornin Wiew more	ervices company	100	sh pattern d Intermedi ew all chart	ate-tern		Short Term 2W - 6W	Mid Term 6W - 9M	Long Term 9M+

The Value of a Company

- What Is the Price-to-Earnings (P/E) Ratio? The price-to-earnings ratio measures the current share price relative to its earnings per share (EPS).
- What Is Earnings Per Share (EPS)? Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.
- The higher a company's EPS, the more profitable it is considered to be.

Calculate...

P/E Ratio Formula and Calculation The formula and calculation used for this process are as follows.

To determine the P/E value, divide the current stock price by the earnings per share (EPS).

The current stock price (P) can be found by plugging a stock's ticker symbol into any finance website, and although this concrete value reflects what investors must currently pay for a stock, the EPS is a slightly more nebulous figure.



EPS is found in a company's earnings release, which often provides EPS guidance. This is the company's besteducated guess of what it expects to earn in the future.

Why is this important?

The price-to-earnings ratio (P/E) is one of the most widely used tools by which investors and analysts determine a stock's relative valuation.

- The P/E ratio helps one determine whether a stock is overvalued or undervalued.
- A company's P/E can also be benchmarked against other stocks in the same industry or against the broader market, such as the S&P 500 Index.

Does an Index have a P/E?

- ♦ The P/E ratio of the S&P 500 has fluctuated from a low of around 5x (in 1917) to over 120x (in 2009 right before the financial crisis).
- The long-term average P/E for the S&P 500 is around 16x, meaning that the stocks that make up the index collectively command a premium 16 times greater than their weighted average earnings.



Investment Strategy: Stocks



Pros

- Takes advantage of a growing economy: As the economy grows, so do corporate earnings, increasing the value of the stock and the dividend.
- ♦ Best way to stay ahead of inflation: Historically, over the long-term stocks have yielded a generous return.
- Cost Effective: You do not need a lot of money to start investing and most retail brokers let you buy and sell stocks commission-free.



- Risk: You could lose your entire investment. If a company does poorly, investors will sell, sending the stock price plummeting. You may lose your entire investment.
- Time: If you are buying stocks on your own, you must research each company before you buy its stock. You must learn how to read financial statements and follow your company's developments.
- ♦ Taxes: If you sell your stock for a profit, you'd be liable to pay capital gains taxes.

REVIEW & QUESTIONS

Index Funds: S&P 500

Individual Stocks: Value vs. Growth P/E & EPS