

The background of the entire image is a dense field of 3D-rendered numbers. The numbers are in various shades of light blue and white, creating a sense of depth and movement. They are scattered across the frame, with some appearing larger and more prominent than others. The lighting is soft, highlighting the three-dimensional quality of the digits.

Let's Talk About Stocks

A FinLit Lesson

By KARA

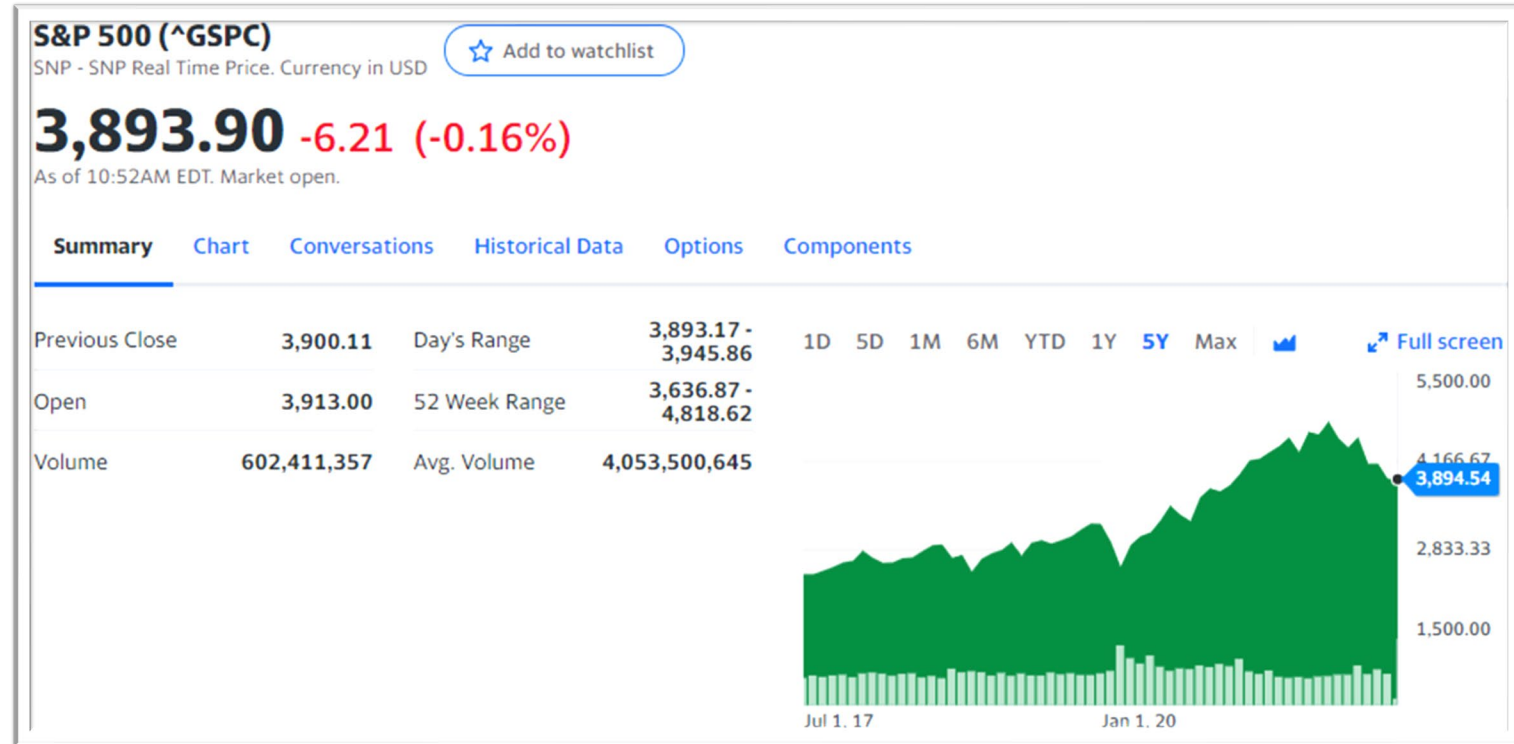
US Stock Exchanges and Stock Indexes

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-capitalization-weighted 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

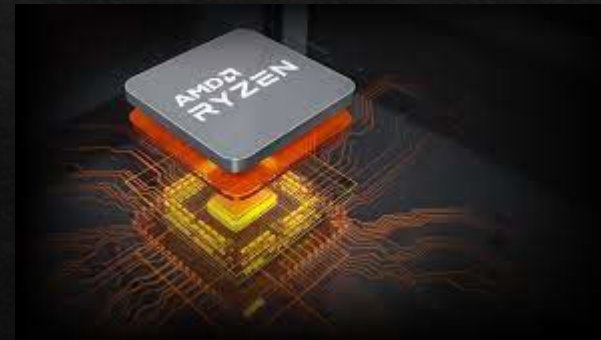
Citibank

- ◆ 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)



Let's Compare (1 year)

Market Summary > Advanced Micro Devices, Inc.

67.54 USD

-76.65 (-53.14%) ↓ past year

Dec 21, 2:46 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	65.43	Mkt cap	108.95B	CDP score	B
High	67.84	P/E ratio	40.52	52-wk high	156.73
Low	65.21	Div yield	-	52-wk low	54.57

Market Summary > S&P 500

3,879.29

-769.94 (-16.56%) ↓ past year

Dec 21, 2:50 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	3,839.49	Low	3,839.49	52-wk high	4,818.62
High	3,889.82	Prev close	3,821.62	52-wk low	3,491.58

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

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	44.21	Mkt cap	86.67B	CDP score	A-
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

Market Summary > S&P 500

3,876.42

+1,193.08 (44.46%) ↑ past 5 years

Dec 21, 3:38 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	3,839.49	Low	3,839.49	52-wk high	4,818.62
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

+57.04 (541.18%) ↑ past 5 years

Dec 21, 3:34 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	65.43	Mkt cap	108.95B	CDP score	B
High	67.84	P/E ratio	40.51	52-wk high	156.73
Low	65.21	Div yield	-	52-wk low	54.57

Market Summary > S&P 500

3,876.42

+1,193.08 (44.46%) ↑ past 5 years

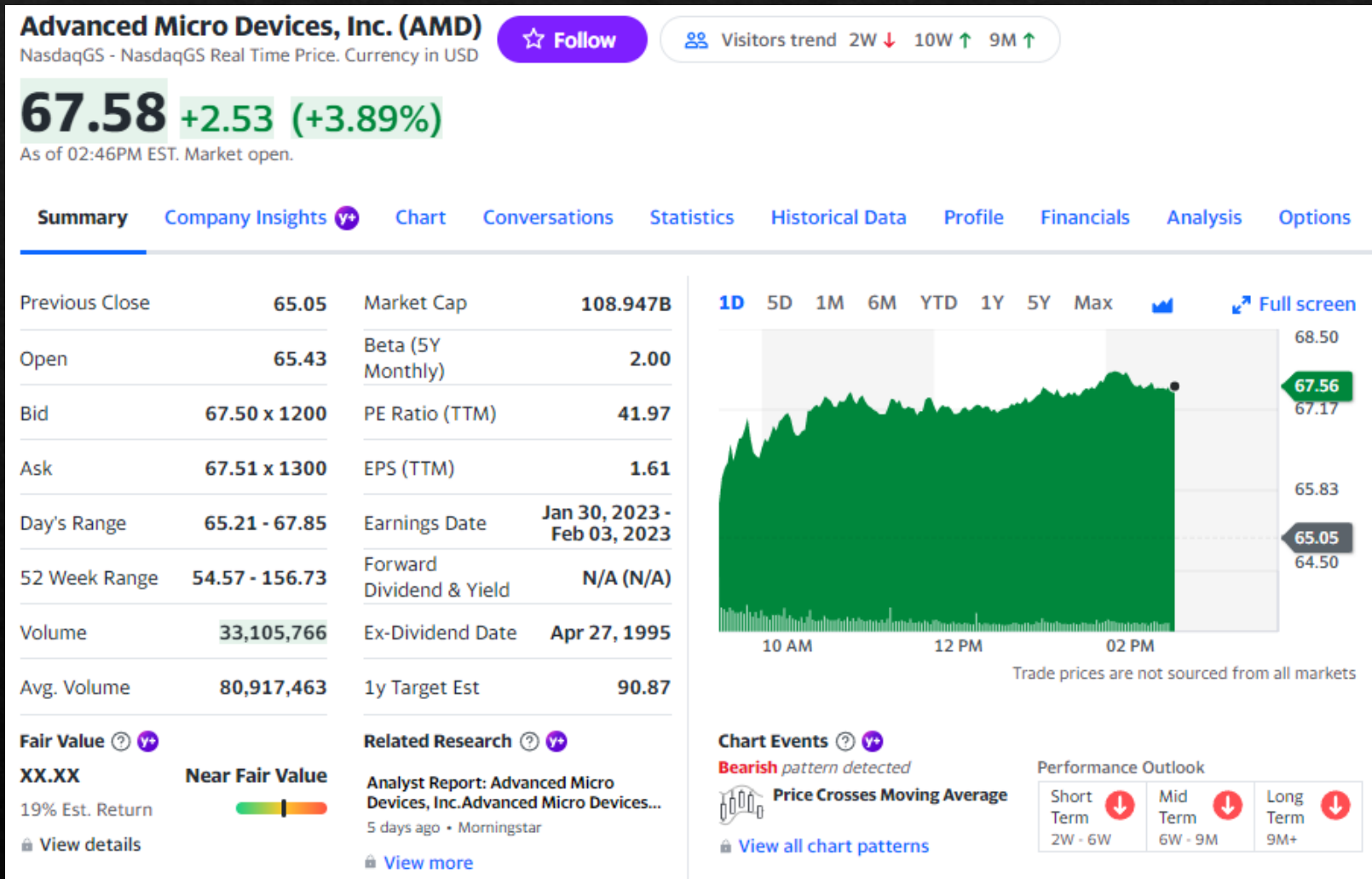
Dec 21, 3:38 PM EST • Disclaimer

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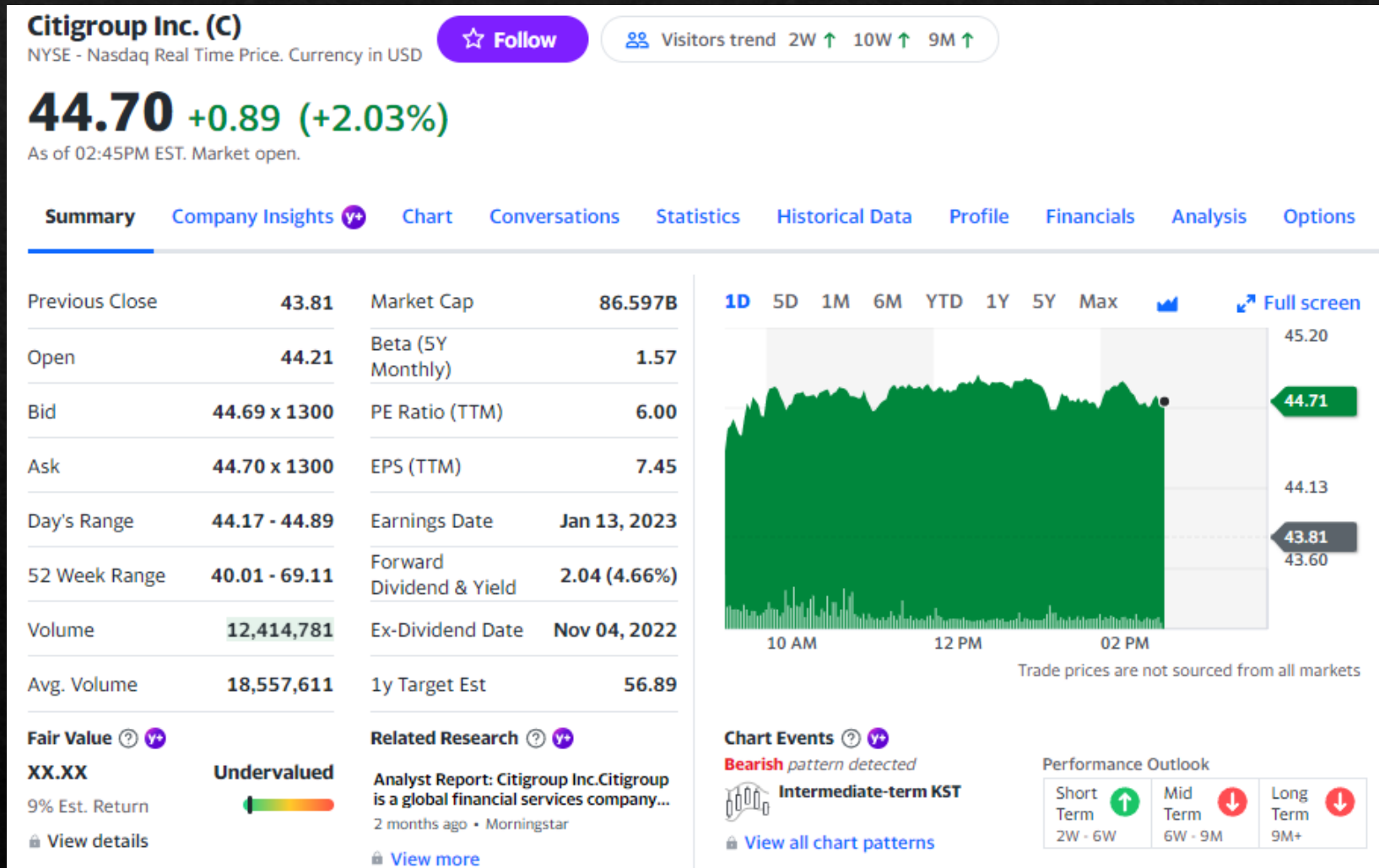


Open	3,839.49	Low	3,839.49	52-wk high	4,818.62
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What does this mean?!?



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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.



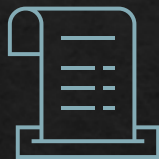
EPS is found in a company's earnings release, which often provides EPS guidance. This is the company's best-educated guess of what it expects to earn in the future.

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.



Cons

- ◆ 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