

Electronic Trading

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- **Basics of Investing**
- **Investing Strategies**
- **Quotes & Research**
 - “ Stock quotes
 - “ Stock charts
 - “ Stock research
- **Opening Etrading Account**
- **Summary**

at All?

- **Maintain purchasing power to cope with even mild inflation**
- **Investing is fun**
 - “ Pitting your intellect against investing community
 - “ Rewarded with increase in assets
- **Investment returns can accumulate at a faster rate than your salary.**
- **A successful investor puts natural curiosity and intellectual interest to work to earn more money.**
- **Personal wealth**

Stocks Trade

- **Stocks traded on securities and commodities exchanges or over the counter**
- **Exchanges members handle trades for themselves and their clients.**
- **Securities and options are regulated by SEC (Securities and Exchange Commission)**
 - “ New York Stock Exchange (NYSE)
 - “ American Stock Exchange (AMEX)
- **For the over-the-counter (OTC) market:**
 - “ trades are handled electronically. either via telephone or computer.
 - “ Done through dealers
- **Regulated by the National Association of Securities Dealers, NASDAQ provides the automated quotes for this market.**

et Cycle

- **Stock market moves in cycles: fluctuates.**
- **Get wonderful bargains every few years and sell again at high prices a few years later.**
- **With this principle, you will prosper if you don't become too paralyzed to act.**
- **Stock market is a voting machine, polling investors on the future, not the present.**
- **The worse you feel, news is bad, the safer the market.**
- **The better you feel, news is good, the closer you are to a top.**

Series

■ Shares Outstanding

Shares of common stock currently owned by investors.

■ Volume

total number of shares traded of a stock during a specific time period.

■ Revenues

net sales of the company plus any other revenues associated with business operations.

does not include dividends, interest income or non-operating income.

■ Net Earnings

profit after all costs, expenses and taxes have been paid.

■ Dividends

cash payment, per share, to shareholders every quarter.

part of profits not reinvested in the company.

Series – Cont.

■ Total Return

“ price change plus dividend return over last 12 months

■ Yield

“ annual rate of return on a stock as paid in dividends.

“ calculated by dividing latest dividend rate by latest closing price and multiplying by 100.

“ latest dividend rate is the total dividends paid in the past 12 months.

■ Net Earnings-Per-Share (EPS)

“ net earnings allocated to each share of stock.

“ calculated by dividing net earnings by common shares outstanding

Series – Cont.

■ Estimated EPS Growth

- “ mean estimate of EPS growth, derived from estimates from Wall Street analysts.
- “ provided by Zacks Investment Research.

■ Forward P/E

- “ calculated using latest closing price of stock divided by t latest EPS estimate

■ PEG ratio (price-to-earnings-growth)

- “ calculated by dividing a stock's forward P/E by its projected three- to five-year annual EPS growth rate.
- “ A PEG ratio of less than one is considered a sign that a stock is a good value.
- “ The higher the PEG, the pricier the stock.

ocks

- **Buying a stock is taking a long position.**
- **Shorting a stock: sell the stocks and then buy them when the price falls.**
- **You decide that price of a stock is going to fall.**
- **Call broker ordering to short, "selling" the stocks at the current price.**
- **Broker rounds up the shares in order to sell them for you**
 - “ loans you the certificates from his stash
 - “ borrows them from another broker.
- **When the price falls, you buy the shares at the lower price, covering the borrowed shares.**

Strategies

■ Investing is a simple process:

- “ Choose a stock in which to take a position
- “ Commit to the position by executing a trade
- “ Monitor the trade to see if it fits your expectations
- “ Close the trade when your expectations are met or lost

■ Stock Selection

- “ A good Watch List is the key to successful stock selection
- “ Compare stock performance with other stocks you're watching
- “ Collect other information about that stock
 - “ Price range
 - “ News
 - “ Analysts reports

Strategies – Cont.

■ Commit to a Position

- “ Execute a long or short term trade
- “ Timing is important
- “ Share your decision with a financial advisor

■ Monitoring the Position

- “ Most critical aspect of the trading process
- “ What the investment community thinks of your picks
- “ If pick is up increase your position to increase your gains
- “ If pick is going down, you have to know when to cut your losses.

■ Closing the Position

- “ To make money you have to close the trade.

Growth Strategies

- One of the most popular ways of studying stocks is called fundamental analysis.
- Figure out true stock value based on basic information such as growth of sales and profits.
- **Growth Stocks**
 - “ Predict which companies will grow faster in the future
 - “ Stock grows its earnings and revenues faster than average
 - “ Famous investor: Peter Lynch (Magellan mutual fund)
- **Value Stocks**
 - “ Look for stocks that have been overlooked by other investors and may have a "hidden value."
 - “ Famous investor: Warren Buffet (Berkshire Hathaway)

of Diversification

- **Diversification means building a portfolio with securities from different asset classes.**
- **Example: a portfolio that includes a certain percentage of stocks and bonds.**
 - “ bonds tend to do well when stocks don't
- **Buy securities not affected by the same variables.**
 - “ Utilities, grocery stores, and airlines are completely different businesses
- **A diversified portfolio will have less volatility, and steadier returns.**
- **Overall return lower than in an undiversified portfolio.**

Funds Investing

- **Most mutual funds invest in stocks, are called equity funds.**
- **Mutual funds are categorized by market capitalization of stocks in their portfolios.**
- **Some funds specialize in investing in**
 - “ Small-cap stocks < \$500 million
 - “ Mid-cap stocks \$500 million to \$5 billion
 - “ Large-cap stocks > \$5 billion
- **Equity fund managers styles of stock picking**
 - “ Value approach
 - “ Growth approach
 - “ Blend approach

Investing

- An index fund builds its portfolio by buying all the stocks in a particular index.
- Most popular index of stock index funds is the Standard and Poor's 500.
- Key distinction between stock index funds and "actively managed" mutual funds
 - “ No need for stock selection
 - “ No need for a team of highly-paid stock analysts
 - “ Much cheaper to run than an active fund
 - “ Perform better than actively managed funds
 - “ In 1998, 85% of all mutual funds that were set up to beat the S&P 500 failed to meet that goal.

ews on Investment

- **Chasing a hot stock or attempting to time the swings in the market**
 - “ costly to implement,
 - “ extremely low probability of success,
 - “ ineffective in adding value to your portfolio.

- **When you hear news about a company, you need to figure out its impact on your investment**
 - “ news likely to affect the profitability of the stock in the future, short-term and long-term?
 - “ problem specific to this company, or affect entire industry?
 - “ how news likely to affect performance of investment in your time frame?
 - “ time frame analyst used in making "downgrade", "upgrade" ?

h to an Investment

- **Good investing is an exercise in controlled fussiness.**
- **Safest strategy is being very hard to please.**
- **Focus on not make avoidable mistakes.**
- **Insist on waiting for a stock to satisfy you completely before you risk your capital.**
- **Take your time, plenty of other possibilities.**

mistakes

■ Panic selling

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will sell at low, possibly below its cost and at a loss compared with its earlier prices.

//

most who sell near a bottom fail to reenter until well toward the next top.

■ Never selling

//

far from a perfect approach in most cases

■ Investing in Penny stocks

//

riskiest investments

//

the remnants of the stock market

Power of the Internet

- Internet shattered barriers between Wall Street and Main Street.
- Previously, took a lot of manpower and computing power to research a stock.
- With internet you can
 - “ retrieve in seconds stock price and volume information
 - “ plot intraday stock graphs or historical graphs for one week or one month, one year or twenty
 - “ up-to-date company news
 - “ inspect corporate financial statements filed with the Securities and Exchange Commission (SEC).
 - “ Insider information

Research

- **Many excellent internet sites for stock quotes and research**
 - “ finance.yahoo.com
 - “ www.excite.com
 - “ www.etrade.com
- **Most stock quotes are delayed by 20 minutes**
- **Free real time quotes with account**
- **Example: finance.yahoo.com**
 - “ Stock Quote
 - “ Charts: stock price ranges
 - “ Research
 - “ News
 - “ SEC & insider

■ Basics :

- "/ Symbol
- "/ Name
- "/ Last Trade
- "/ Change & Percent
- "/ Volume
- "/ Average Daily Volume

■ Fundamentals :

- "/ Earnings/Share
- "/ P/E Ratio
- "/ Dividend Pay Date
- "/ Dividend/Share
- "/ Market Capitalization

■ Details :

- "/ Bid/Ask
- "/ Previous Close
- "/ Open
- "/ Day's Range
- "/ 52-week Range

■ Portfolios:

- "/ Shares Owned
- "/ Price Paid
- "/ Commission
- "/ Holdings Value
- "/ Day's Value Change
- "/ Holdings Gain & Percent
- "/ Trade Date
- "/ Annualized Gain

e Example

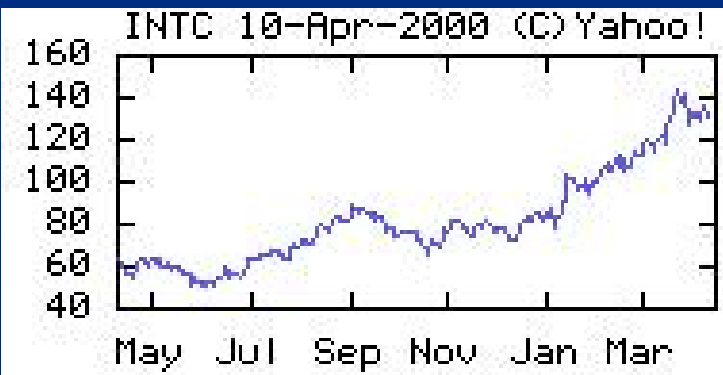
Intel Corporation

Symb	Last	Change		Volume	Day's Range	52-week Range
<u>INTC</u>	131 ¹ / ₈	-5 ¹¹ / ₁₆	-4.16%	22,361,100	130 ⁷ / ₈ - 139 ¹ / ₁₆	50 ¹ / ₈ - 145 ³ / ₈

e - Detailed

Last Trade 2:55PM 131 ³ / ₈	Change + ¹ / ₄ (+0.19%)	Prev Cls 131 ¹ / ₈	Volume 21,95 9,200	Div Date Jun 1	
Day's Range 127 ³¹ / ₆₄ - 134 ¹ / ₄	Bid 131 ⁵ / ₁₆	Ask 13 1 ³ / ₈	Open 130	Avg Vol 27,56 1,364	Ex-Div May 3
52-week Range 50 ¹ / ₈ - 145 ³ / ₈	Earn /Shr 2.11	P/E 62. 14	Mkt Cap 439. 1B	Div/Share 0.12	Yield 0.09

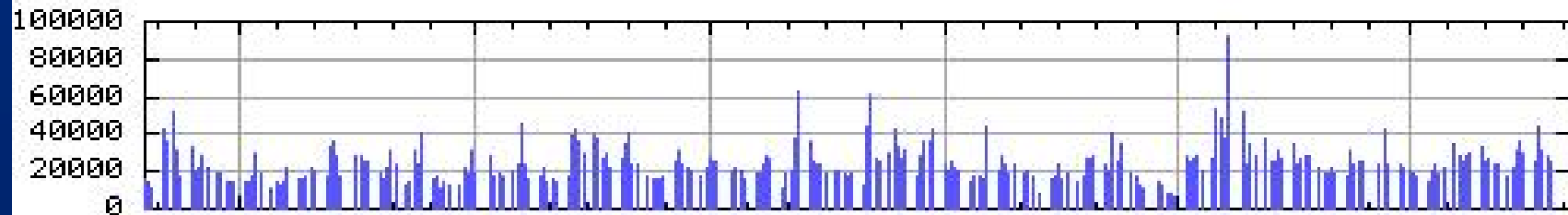
Small: [[1d](#) | [5d](#) | [1y](#) | [none](#)]
Big: [[1d](#) | [5d](#) | [3m](#) | [1y](#) | [2y](#) | [5y](#) | [max](#)]



Intel Corporation – 1 year chart

Intel Corp
as of 7-Apr-2000

Splits: ▼



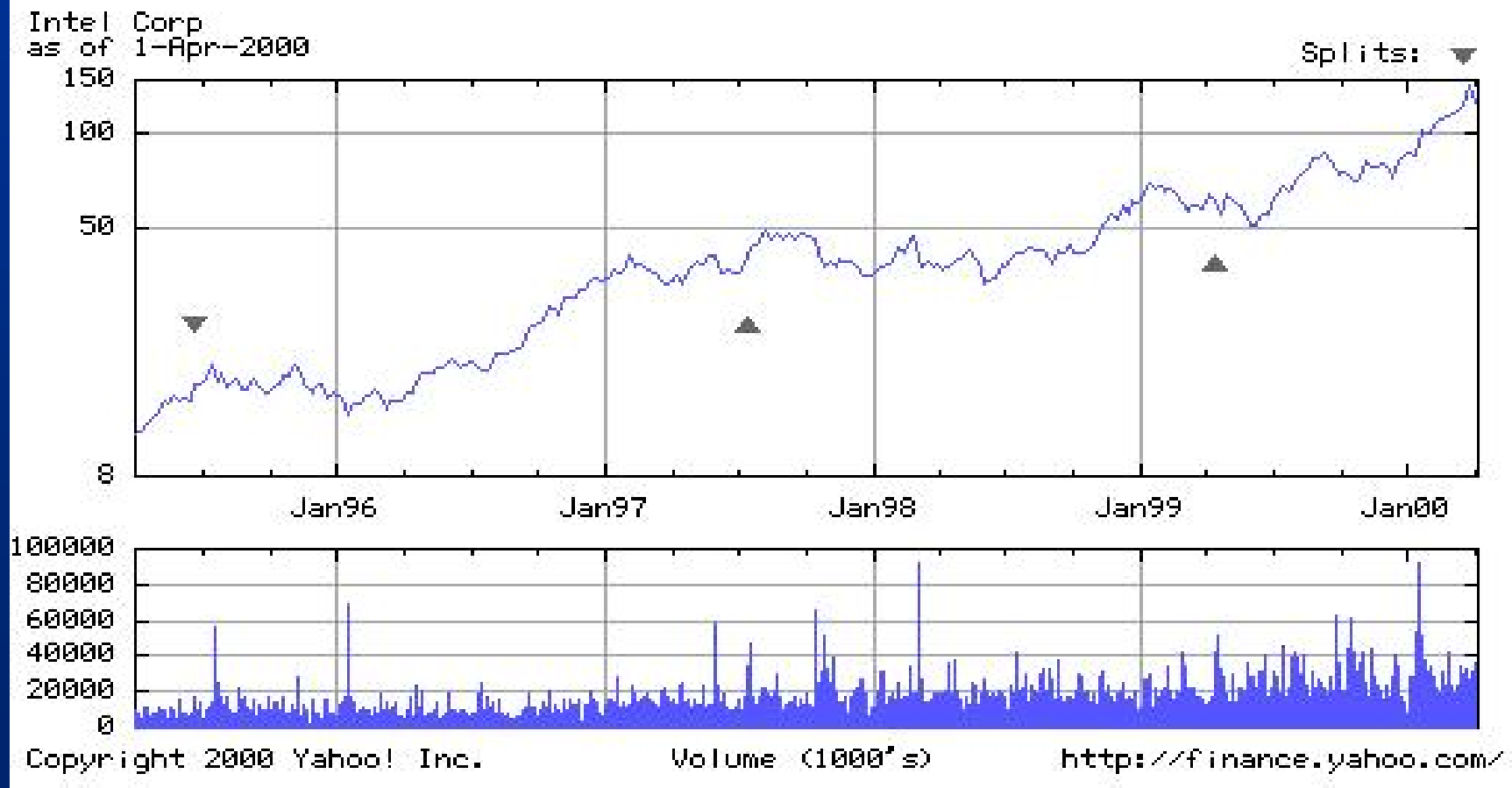
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Volume (1000's)

<http://finance.yahoo.com/>

ts – Cont.

Intel Corporation – 5 year chart



ts – Cont.

Intel Corporation – 1 year chart vs. S&P500



Research Summary

Number of brokers recommending as:		Average Recommendation		Earnings Per Share	
Strong Buy	22	(Strong Buy) 1.00 - 5.00 (Strong Sell)	This Week	1.52	Last (Dec1999) 0.69
Moderate Buy	12		Last Week	1.57	Quarter Surprise 9.5%
Hold	6		Change	0.1	Consensus Estimates
Moderate Sell	0				This (Mar 00) 0.68
Strong Sell	0				Quarter This Year (Dec 00) 2.91
					Next Year 3.39

Search- Cont.

Earnings History & Growth

	Dec 1998	Mar 1999	Jun 1999	Sep 1999	Dec 1999
Estimate	0.53	0.54	0.54	0.57	0.63
Actual	0.60	0.57	0.51	0.55	0.69
Difference	0.07	0.03	-0.03	-0.02	0.06
% Surprise	12.26 %	5.56 %	-5.56 %	-3.51 %	9.52 %

	Last 5 Years	This Year (Dec 00)	Next Year (Dec 01)	Next 5 Years	Price/Ear n (Dec 00)	PEG Ratio (Dec 00)
Intel Corp	16.5 %	25.3 %	16.5 %	19.3 %	45.0	1.78
ELEC COMP-	10.8 %	30.4 %	36.7 %	30.8 %	57.6	1.89
SEMIC	9.2 %	11.6 %	8.5 %	15.2 %	26.7	2.30
S&P 500						

Trading Account

- There are several companies to Etrade with.
- Types of accounts:
 - “ Cash
 - “ Margin
- E*trade: www.etrade.com
 - “ \$20 per trade (upto 5000 shares)
 - “ \$1000 for cash account
 - “ \$2000 for margin account
 - “ Free real time quotes
- Charles Schwab: www.schwab.com
 - “ \$30 per trade (upto 1000 shares)
 - “ \$5000 for margin account
 - “ Free real time quotes

Trading Account – Cont.

- **Datek Online: www.datek.com**
 - “ \$10 per trade (upto 5000 shares)
 - “ \$2000 for margin account
 - “ Free real time quotes
- **National Discount Brokers: www.ndb.com**
 - “ \$15 market order, \$20 limit order per trade (upto 5000 shares)
 - “ No minimum balance to open account
- **TD Waterhouse: www.tdwaterhouse.com**
 - “ \$12 per trade (upto 5000 shares)
- **Ameritrade: www.ameritrade.com**
 - “ \$8 market orders, \$13 limit and stop orders (upto 10,1000 shares)
 - “ Free real time quotes

- **Investing is important to maintain money power**
- **Before investing learn**
 - “ Investing basics
 - “ Investing strategies
- **Internet has made trading simple**
- **Tap the power of the internet in stock research and collecting information**
- **Extensive information resources and tools**
- **Any one can make good money by electronic trading**