

Invest Ed™
Students Tracking and Researching the Stock Market

Gavin Groff, 12th grade
Mrs. Watts - Personal Finance
Putnam City North High School

Oklahoma County

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Before I began participating in this project and actively pursuing knowledge regarding the world of stocks, I had always viewed the stock market with caution. It was an intimidating jungle of ticker tape and flashing numbers, a chaotic maelstrom where fortunes were won and lost in the blink of an eye. However as I began to study the inner workings of the stock market, it slowly started to dawn on me that this was a world not only for economists and grizzled Wall-Street veterans, but for everyone, including myself. I realized during the course of this project that while the stock market contains significant risk, it is not something to be feared, but instead it is an important and invaluable tool for achieving a secure financial future.

When I first embarked on this journey, I had only a vague idea of what to look for when buying stocks. I decided that before I started buying, it would be prudent to do a bit of research. This eventually led me to Investopedia, where I learned the importance of both qualitative and fundamentals assessment as well as the pros and cons of several different investing strategies, such as value and growth investing (“Stock Picking Strategies”). Furthermore, I was educated in the difference between cyclical stocks (those that react to a number of different market variables) and defensive stocks (those that neither greatly suffer nor greatly benefit from market conditions) as well as the importance of having a balance of each type (Little). Thus, having equipped myself with a better picture of what to look for in a stock, I set out investing.

When looking for stocks at first, I mainly focused on companies that I was familiar with or had an interest in. Whenever I found a potential candidate for investment, I would begin thoroughly examining it. I would begin by evaluating the fundamentals: the current PE ratio, the company’s reported and expected profits, and so on. Next, I evaluated the qualitative aspects of the company: the quality of the management, the industry, the history, current news surrounding the company, who its competition was, and how stable the stock appeared to be. When buying I also tried to keep

in mind the advice I picked up from an AG Edward's article on diversification in a portfolio and tried to limit a single sector from occupying over 25% of my total value ("Building a Portfolio"). By following the guide I created through my research, I soon found several stocks to invest in, one of which was soon to become the star of my portfolio, Apple.

Apple was, far and away, the best stock I had over the course of the project. Founded in 1977, Apple designs, develops, and sells the Macintosh line of computers, associated software and services, and other products, such as iPod. In fact, it was the success of the iPod that first drew my eye to Apple. However, upon pouring more research into it, the virtues of the company became apparent. Clearly, Apple was not afraid of expanding into new markets with products such as the iPod or the iPhone. Moreover, the management, particularly Steve Jobs, was not only capable of handling these expansions but also more than qualified to run the company and highly encouraging of innovation. While they have some fierce competitors, chief among them Microsoft, I felt that, given the history of the stock, Apple was a smart investment.

But while I was confident in my stock in Apple, I did take some slight risks when buying stocks. Having taken a risk assessment test at Rutgers.edu, I gained some insight into my tolerance for risk. I earned the rating of an average tolerance for risk but with the occasional tendency toward more perilous ventures. I would say this was an accurate description, given the course of the project. I remained, for the most part, conservative throughout, even though I did take risks such as THQI (which I made a profit on) and BHS (which, sadly, did not end as happily).

As for my goals, I feel that I, for the most part, met them. My first goal was to make a profit. I succeeded in this one, even though I made a few mistakes and felt that I could have done better. However, it was these very same mistakes that allowed me to learn more about investing and helped fulfill my second goal, a greater understanding about the stock market.

For instance, I learned about the dangers posed by investment fraud. Many inexperienced investors can often be deceived into pouring their money into fraudulent stocks or elaborate scams. However, after reading an informative article at the Washington State Department of Financial Institutions, I realized several ways to spot and protect myself from investment fraud. For one thing, it's important to stay alert, ask questions, and investigate the stock before purchasing it. It's also important to beware of any stock that promises exorbitant or unreasonable profits with little to no risk ("Beware of Investment Fraud").

Aside from protecting myself from investment fraud, I also learned several other important pieces of information regarding the stock market. Specifically, I discovered that information is by far the most important tool for success in the stock market. I gradually began to understand that practically everything from popular culture to geopolitics can affect a stock's standing. Therefore, I realized it is important to have an overall picture of the world in general and not solely the market. For instance, rising tensions in the Middle East spurred the desire for alternative sources of oil, bumping up the price of Transocean, an offshore drilling company, and allowing me to make a profit. I also learned the worth of keeping a cool head. When the Chinese market crashed, the temptation to sell my plummeting stocks while I still could was very great indeed. However, earlier in the project, I had made the mistake of letting panic get the best of me and sold a stock too soon. Thus, I decided to wait out the small fright and, much to my relief, most of my stocks soon recovered.

This project has also both encouraged me to keep a closer watch over my finances and changed my view on the stock market. I now believe that with a careful budget allowing for investment within the stock market, I could begin planning for my retirement and increase my income in the long-term. Furthermore, my perspective on the market itself has also been drastically

altered. I have come to understand that investing in the stock market is both advantageous and valuable, and that through close examination and patience, it can help me reach my financial goals, such as an early retirement and financial security.

In this respect, and in others, this project has been very beneficial to me. It allowed me to acquire the basic tools and mindset needed for safe and profitable gains in the stock market and also showed me the significance of investing. I am eager to expand my knowledge over the stock market and am confident investing will play a key role in my financial future. With my newfound interest in the stock market, I have little doubt that I will have a great deal of opportunities to apply the lessons I have learned over the course of this program.