

Invest Ed[®]
Students Tracking and Researching the Stock Market

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It was around the time of my twelfth birthday that I began to show an ever-increasing interest in the stock market. Although young, I was very interested in the workings of the economy. I would sit with my dad on many occasions and watch the global news. Looking back, I believe this is where my interest originated. Observing the ticker symbols roll across the screen, not fully understanding what they meant, I would ask my dad what each symbol represented. We would discuss the basics of economics, but I never completely grasped it. When I was fourteen, my father and I met with a broker from the Trust Company of Oklahoma. We set up a mutual fund account and decided to take thirty dollars a month out of my checking account for investing. From that point, I was hooked. I took a General Business course to help further my knowledge of the market and began to have an understanding of how the global economy worked. Although it was overwhelming, I believed I could do some of my own investing. Unfortunately, the next year, my interest in the stock market began to waver. In fact, at the start of the current school year, I had little enthusiasm when it came to dealing with the market. Luckily, I was able to participate in this interesting Invest Ed[®] project, and my interest peaked once more.

When I was notified of the competition and all of the details, I was a little hesitant. Again, my interest in the stock market was relatively low, but once the project was underway, all of the enthusiasm that I once had returned and was stronger than ever. Knowing that I would be able to learn about securities fraud, find out how risky I am, and construct my own stock portfolio all raised my interest in the unit. Since then, my enthusiasm to study the market has been very high.

At the start of the project we were asked to research stocks that we would like to purchase for our portfolio. Immediately, I began my research. When I would think of a stock to buy, I would first do a thorough study of the industry it was in. I would look to see how that industry was doing at the time, and see how it could be doing in the foreseeable future. When I was comfortable enough with that information, I proceeded to find articles where the particular stocks were discussed. Finding out what some of the professionals thought of that stock, I was able to further increase my trust in that company and industry. Following this research, I would then look up a quote of that particular stock. I proceeded to read the company's profile, look at its 5-year track record and see how low or high the stock was at that time. Afterward, I read the company's profile because I wanted to be sure I thoroughly understood the company. Before I invested my money, I checked its five-year track record once more. By doing this, I was able to see how that company did previously and see if it was relatively stable. Additionally, if the stock was very low at that time, the five-year track record would give me an idea of where the company had been and where it could be going. Once I felt like I had enough information concerning that stock and the industry it was in, I would see if it had the characteristics of a stock that I wanted to consider as an investment. I first looked to see if the stock was low enough in price for me to make a decent profit when it increased to what was expected. However, I made sure that particular stock was not dangerously low. Second, I made sure it had a stable 5-year track record, and it was stable enough to survive a recession. In addition, I only invested in something that I understood and had some interest in it. Then, I had to

approve of the company's profile and means of operations. Finally, once I felt like I fully understood the company and its profitability, I proceeded to buy that stock.

When the Invest Ed[®] unit was first underway, I started to ponder what I truly wanted to accomplish during the course of the project. I decided that by the end of the course, I wanted to achieve the following goals. I wanted to be able to determine how the economy would fluctuate in tough economic times, how to properly diversify my portfolio, and what I should do with my money when the economy is unstable. The research and construction of my own stock portfolio allowed me to fulfill all of these goals. Day after day, I would check my portfolio, and just when it seemed like it was never going to go positive, it jumped up. Then, to my dismay, it would decrease during the following day. By observing the wave-like process, I began to understand that, during tough economic times, the world economy is very unstable and fluctuates drastically every day. I came to the conclusion that the only way to combat the instability of the economy was by having a diversified portfolio. Thus, by creating my own personalized stock portfolio, I was able to achieve the goals that I was working toward.

To further understand myself and how risky I was, I took a risk assessment test. On the Money Central website, I found I was a moderate risk taker and had a moderate capacity for risk. I then thought, "What really is financial risk?" By doing some research, I determined it was the likelihood that an investment will result in a profit or loss. From there, I began to create my portfolio. As it was starting to form, I started to notice that I was choosing stocks that were, in fact, not very risky. It was a natural reaction to choose stocks I felt would not result in a loss. But, wanting to diversify my

portfolio and stick to the guidelines I created, I chose some companies that were risky but would have a higher rate of return. In my opinion, the risk assessment test did correctly assess my tolerance for financial risk, but I willingly chose to be a little more risky to further diversify my portfolio and increase the chance of making a profit.

From the start of this Invest Ed[®] project, the banking industry always seemed intriguing to me. Although significantly down due to the mortgage crisis, I had confidence that in due time the banks would bounce back. Out of all the banks in the banking industry, I decided to focus my attention on Bank of America Corporation (BAC). I chose BAC because, contrary to the rest of the banking industry, it was not showing signs of going under. In fact, Bank of America Corporation was increasing more than the rest of the banking industry. Confident in the profitability of BAC, I decided to begin my research. I found that Bank of America was incorporated as part of a merger between BankAmerica Corporation and NationsBank Corporation. Based in Delaware, Bank of America provided a range of banking and non-banking financial services. It provided products for national and over-seas markets through Global Consumer and Small Business Banking, Global Business and Financial Services, Global Capital Markets and Investment Banking, and Global Wealth and Investment Management. I also found that their clients were supported through offices in 27 countries that were divided into three regions: U.S. and Canada, Asia and Europe, Middle East and Africa. Feeling good that they conducted business internationally, I went on to approve of their company profile. I then turned my attention to their financial status. Although it was down \$3.49 at the time of my research, I noticed that Bank of America had a 52-week high of \$43.50. Finally, I looked at the banking industry as a

whole. Again, though it was significantly down, I remembered that the market acts in a wavelike manner. With this in mind, I decided that it was only a matter of time before the banks would begin to rise again. Trusting my instinct, I purchased 10,000 shares of Bank of America, hoping that I did not make an enormous mistake.

When I finally finished my stock research and portfolio construction, I started to contemplate selling some of my shares. After much deliberation, I concluded that the stock market, in its current state, was too unpredictable for me to confidently sell any of my stocks. Instead, I decided to wait and hold on to my money, and, consequently, my portfolio increased 5.05%.

After the early stages of the Invest Ed[®] competition unit, my class and I started our investigation of securities fraud. I came to find out that those who conduct securities fraud are known as scam artists. Many are seemingly trustworthy individuals who, consumed by greed, steal money from innocent people who do not know better. They may share an interest or a religion with the victim. Some may even be a family friend or a relative. Learning how prevalent securities fraud really was deeply affected me. I could not understand what would bring a person to steal from someone where there was a close relationship. After thinking it over, I realized that it was greed that consumed the scam artist. With this newfound knowledge, I thought about how I would be able to protect myself against these individuals. Luckily, all my questions were answered by the members of the Oklahoma Securities Commission. I learned I would need to ask tough questions that will further my understanding of the broker and his business operations. In addition, I learned to always ask for a second opinion either by talking to another trusted financial officer, an attorney, or even my family. Finally, I was

informed to immediately contact the Oklahoma Securities Commission if I ever noticed any suspicious activity. They would take a closer look at the individual giving the deal and see if he was legitimate or not. Thus, by implementing these measures, I will be able to protect myself against the always present threat of securities fraud.

As a result of my participating in the Invest Ed[®] project, I have not only increased my knowledge of the stock market and its features, but I have become more confident as an investor. Specifically in the time I spent on this project, I was made aware of the threat of securities fraud. I learned that many individuals, who may appear to have a legitimate brokerage firm, may really be scam artists trying to rob people of their money. I was also taught to be careful when investing, making sure I fully understood where I was putting my money. In addition, I learned to be cognizant of the market and how to place my money in a way that would diversify my portfolio. I also became aware of how truly important it is to be sure that when I invest I don't become greedy and try and place my money in companies that could cost me greatly. Finally, I learned how to balance risk with profitability, and how to be aware of not only the present market but also where the market may go in the future.

Furthermore, my outlook on the world economy has significantly changed now that I have participated in this study. I am no longer an outsider looking in to this vast market; I am now an investor in my own right, observing the trends in the economy and investing my money accordingly. For example, during the mortgage crisis that occurred last year and that is, for the most part, still continuing today, I was very apathetic, not caring about how the banks were doing and what could happen to the economy.

Although I knew that it had a deep impact on my future, I decided to sit and watch what

would happen. Since the start of this project, my view of the economy changed. After completing my portfolio, I had an entirely new perspective of the economy. I viewed the market as a shareholder in two banks that had a relatively high probability of going under. I began to watch the market as much as I could, hoping that those two banks would not go under. Finally when the banks made a change to positive, I felt a great sense of accomplishment. That feeling is still with me today. Because of this project I now have a confident outlook on the economy which I previously lacked. This confidence and interest will greatly help me in my future investing endeavors. My goal is to one day make one million dollars by investing in the stock market and use this money for both my children and retirement. By implementing the knowledge gained in this unit, I believe I will be able to fulfill this goal. Thus, by participating in the Invest Ed[®] project, I have set myself up for success.