

Stock Market Talk

Points/Grade

Discuss each question and then write your answer in your own words. Your answer will be scored 0 to 5 based on the completeness and accuracy of your response. A grade will be assigned as follows: 0 - 6 = F, 7 - 12 = D, 13 - 18 = C, 19 - 24 = B, 25 - 30 = A.

1. Suppose you were given \$500 to invest in the stock market. Explain the steps you would take to find and research a company for your investment.

2. What kinds of news might cause a company's stock prices to *rise*? Give several examples of these types of news items.

3. What kinds of news might cause a company's stock prices to fall? Give several specific examples of these types of news items.

4. What does it mean to diversify your portfolio? Why is it important to do this? What might happen if you don't?

5. How is playing the stock market game different from investing in the real stock market? (Describe at least 2 different ways.) How would you do things differently if you were *really* investing in the stock market?

6. Imagine that you bought 200 shares of Toys R Us stock for \$35.75 a share. You later sold all your shares when the price was \$28.15 a share. Would this result in a profit or a loss? Exactly how much profit or loss would you make on this transaction (disregard commission costs.)
