Financial Ratios

3. Return On Equity (ROE)

i.   It is the amount of net income returned as a percentage of shareholders equity.
ii.   Computation - Return on Equity (Net Income) / Average Stockholder Equity.

4. Debt To Equity Ratio

i.   It measures the relationship between the borrowed capital (i.e. debt) and the capital contributed by shareholders (i.e. equity).
ii.   Computation - Total Liabilities / Total Shareholder Equity.
iii. As a thumb of rule, companies with a debt-to equity ratio more than 1 are riskier.

Financial Ratios

5. Current Ratio

i.   It is a key financial ratio for evaluating a company's liquidity.
ii. Computation - Current Assets / Current Liabilities.
iii. As a thumb rule, a company with a current ratio greater than 1 is better.

Technical Analysis

It focuses on the stock market, rather the company.

It seeks to predict price movements by examining historical data, mainly price and volume.

The underlying idea is that the market price already reflects the fundamentals of any given stock, which therefore can be ignored.

It is a good idea for investors to leverage both technical and fundamental analysis to fill the gaps.

Basic Terms Used in Study of Price Charts

Term	Meaning
Support Level	A level below which the price will likely not fall
Resistance Level	A level above which the price will not likely rise
Breakout	When a stock rises above its resistance level or falls below its support level
Trend line	A regression line that predicts future prices based on past prices
Relative strength	Ratio of the percentage price change of a stock to the percentage price change of a broader index or another stock