Explain market hours and dividends

Momentum Trading: Usually investors always seek to “buy low, and sell high”. Momentum Trading instead focuses on trends that are “buying high, and sell higher”. The time period for this strategy can vary from hours to days. The longer a stock is hold, the longer the risk is.

Day Trading: Focuses on finding upwards trends in really short amounts of time (hours) and then buy when the price is predicted to keep going up. Then sell when the value of the stock is start to decrease. The method is really risky because it determines to be constantly trading to generate profits.

Swing Trading: This trading strategy is similar to Day Trading but the amount of time for holding a stock is actually longer (usually days to weeks). This method involves the same idea of buying when the prices is predicted to keep going up for a couple of days and then sell when the value starts to decrease. This strategy is less risky than day trading but still riskier than traditional long-term investments.

Reversal Trading: Reversal means that the stock price is going up, then it goes down, and then will go up again. Investors that look for this pattern concentrate on finding the cheapest price before it goes back up. This technique again serves from hours to weeks. Similarly to other strategies, the longer the stock is hold, the higher the risk it entails.

Trend Trading: Very similar to Reversal Trading, but instead of going “up, down and then up”, the behavior can be quite different. The idea is to find a repeated pattern, could be a mixture of many ups and downs. After identifying this pattern, the objective is to buy the point of the pattern with the cheapest price and sell at the point with the highest price.

Common Stock: This is also known as Public Stock, and this were explained previously in this chapter. This investment represents a form of financing for a company that will offer benefits to investors as long as the company is successful.

Penny Stocks: This definition can vary from the source, but usually, penny stocks are the same as a Common Stock that has a value of 5$ or less. This type of Stocks are important to distinguish from common stock because these are way more risky to invest on.

Bonds: This investment type is a form of “loan” that is given from the investor to the company. Bonds are different from stocks because these are “secured”. Thus, a company is legally liable to pay out bonds to the current bond-holders in the case of bankruptcy. Bonds only pay off interest rate (which varies from companies). One main disadvantage of bonds is that the amount of money you receive will always be independent on how well the company is doing. Bonds could be considered the same as bank loan. However, the investor is the bank, the bond is a loan, and the customer is the company.

ETFs: These are basically a “collection” of different investing options (called securities as well). ETFs can be made of stocks, bonds, and many more. The key of ETFs is that many investors are in charge of splitting your money in different options to maximize your profit. **You are not in charge of where the money specifically goes to.**

Mutual Fund: These are also a “collection” of different investing options. However, Mutual Funds only trade at the of the day price. **With this in mind, we could say that Mutual Funds only change once a day, and ETFs constantly change throughout the day.** The Mutual Funds can be made of bonds, stocks, and many more. The key of Mutual Funds is that many investors are in charge of splitting your money in different options to maximize your profit. **You are not in charge of where the money specifically goes to.**

Index Fund: To explain this investment, we need to understand what an index is. **An index is a collection of stocks only.** There are many index types, and one of the most popular is the S&P 500. This index has the most popular 500 stocks available in the market, and has a **historic record of always going up on the long-term**. Now, an Index Fund is a general term to refer to any type of index. If you are investing on the S&P, you are investing on an Index Fund. Index Funds are classified as a Mutual Fund because it also has a “collection” of investing options.

Preferred Stock: This type of investment is similar to Common Stock. However the main key difference is that when a company pays off dividends. The company is legally liable (or responsible) to pay out the money to their preferred stock members. Common shareholders do not have this privilege, so if the company either goes bankrupt or decides to not give money to the shareholders, there is nothing to do about it.

Foreign Exchanges: This type of investments involves buying a currency (or money from other countries). The value of foreign exchanges depends heavily on economy, and also offers a slow growth. Recently it is a method not highly recommended.

Cryptocurrencies: This type of investment is a new way of moving money. Simply put, money is invested on a virtual currency that is independent of the country it is in. Cryptocurrencies have been adopted by many companies as a form of legitimate payment. An advantage or disadvantage (depending on perspective) that comes from cryptocurrencies is that they are available for trading at all times, all year.

Real Estate: This investment focuses on buying physical properties and obtaining money by either renting them out or selling them out. The importance of real estate lies in that they offer a strong source of income that is independent of a company. However it depends on other factors such as the property conditions, location, and many more.