

Meeting 2: Important Terms to Know + Analysis of Recent Events

Wednesday, October 17th, 2018

What is an investment?

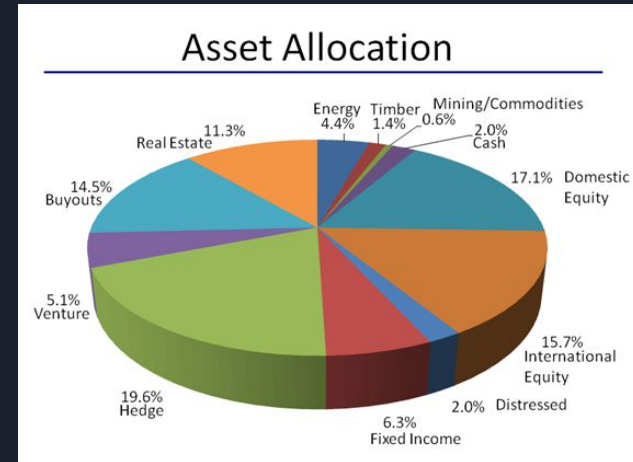
- Dictionary definition is when you distribute money in the expectation of some benefit in the future
- However, it comes in many forms
 - Stock market
 - Properties
 - Banks
 - And more!



Here is a list of important terms

- Return on Investment (RoI): compares the efficiency of several investments
- Cash
- Portfolio/Diversified Portfolio: grouping of many stocks, bonds, and other financial holdings
- Asset Allocation: investing strategy that tries to balance out risk and reward by distributing assets in a portfolio
- Bonds, Stocks, Dividends

$$\begin{aligned}\text{Simple ROI} &= \frac{\text{Gains} - \text{Investment Costs}}{\text{Investment Costs}} \\ &= \frac{\$ 700,000 - \$ 500,000}{\$ 500,000} \\ &= 40\%\end{aligned}$$



Important terms continued

- Risk Tolerance: how much of a drastic change (either decrease or increase) an investor is able to handle
- Mutual Fund: professionally managed fund that uses money from investors in exchange for securities
- Securities and Equities
- Price to Earnings Ratio: ratio of company's stock price to earnings per share
- Prospectus: disclosure document that describes financial security for potential buyers



The diagram shows the formula for the Price to Earnings Ratio (P/E Ratio). It features a magnifying glass over a dollar sign icon labeled 'Share Price' and a bar chart with a dollar sign icon labeled 'Earnings per Share'. The formula is:
$$\frac{\text{Share Price}}{\text{Earnings per Share}} = \text{P/E Ratio}$$

The Market Recession Last Week

- Last week, the DOW JONES dropped more than 1,380 points in TWO days
- Approximately 5%
- Many 401k accounts affected, mostly index stock-based
- So what happened?
 - Trade war
 - Interest Rates
- What does it mean for the future? A worse recession?



The October Effect

- In the past, many stock market crashes happened in October
 - Panic of 1907
 - Black Tuesday (1929)
 - Black Thursday (1929)
 - Black Monday (1929)
 - Black Monday (1987)
- But, it's more psychological than an actual phenomenon
- In fact, more bear (down) markets end than begin on October
- And finally, September historically has more down months than October



MARKET SNAPSHOT

The stock market's nightmare may be far from over

Awful start to the final quarter bodes ill for remainder

All Inboxes

• Queasiness on Wall Street.

U.S. stocks [took their steepest drop in eight months](#) as dyspeptic investors continued to digest trade tensions and rising interest rates. Above, the floor of the New York Stock Exchange.

Previously high-flying tech shares tumbled. And the Standard & Poor's 500-stock index fell 3.3 percent, bringing the broad equity benchmark down 4.4 percent for the month. The rout [continued in Asia](#), suggesting trouble ahead for European markets.

It's a scary Collection

BY SUE CH
OCT. 12, 2018

After a ni

Investors are worried above all about a growing trade war between the U.S. and China. The two powers threw off sparks again on Tuesday when Belgium arrested and extradited a Chinese intelligence official to the United States [to face charges of espionage](#). The official is accused of soliciting business secrets in a U.S. sting operation.

Dow drops further, bringing 2-day losses to more than 1,000 points

Fred Imbert | Alexandra Gibbs

Thursday, 11 Oct 2018 11:48 AM EDT



Stocks fell in volatile trading Thursday, a day after the major indexes suffered steep losses sparked by higher rates and a sell-off in tech shares.

The [Dow Jones Industrial Average](#) traded 229 points lower, bringing its two-day losses to more than 1,000 points. The [S&P 500](#) dropped 1 percent and was on pace for a six-day losing streak. The broad index also broke below its 200-day moving average for the first time since May. The [Nasdaq Composite](#) slid 0.3 percent.

Could Cisco Systems, Inc. Be a Millionaire-Maker Stock?

In just over five years, from January 1995 to April 2000, at the height of the [tech bubble](#), **Cisco Systems, Inc.** (NASDAQ: CSCO) shot up an incredible 3,840%, and briefly became the most valuable company by [market cap](#) in the world. During that incredible market run, many inexperienced investors, consumed by [FOMO](#), the "fear of missing out," became paper millionaires. Unfortunately, many learned too late that what the market gives, the market can take away, as, over the next several months, these large gains turned into large losses. Like many companies, Cisco never regained those lofty heights, and its stock price still stands more than 35% below the peak it reached in 2000.

Of course, what matters to investors now is what Cisco will do from here on out, not what it did 20 years ago. Could it go on another run for the ages? Will its stock fuel any more rags-to-riches investment stories? To better answer these questions, let's take a closer look at where the company is today and what its future might reasonably look like.



NEXT STORY ▶

NEXT UP IN
TOP STORIES



Now, it's time to get to know your teams!