Quiz 1- Part One

SMA

The stock market heavily relies on statistics and time series, with moving averages being a prevalent statistical concept in trading. Moving averages, such as Simple Moving Averages and Exponential Moving Averages, represent how the average value of a stock (e.g., opening or closing price) changes over a specified timeframe.

Simple Moving Average (SMA) provides an equal weight to all data points within the moving average period, while Exponential Moving Average (EMA) gives more weight to recent data, making it more responsive to recent price changes in financial analysis. SMAs, with their equal weighting of all data points within the moving average period, provide a smoother and slower-moving trend indicator. For investors with a longer-term horizon, SMAs, such as the 200-day SMA, help identify overarching trends, like bull or bear markets. On the other hand, EMAs, which give more weight to recent data, are highly responsive to short-term price changes. Traders use EMAs, like the 9-day EMA, to swiftly capture short-term trends and make timely buy or sell decisions. The choice between SMA and EMA depends on whether one is seeking a broader, long-term perspective or a more agile, short-term analysis to navigate the complexities of the stock market.

Netflix Video

One of the most intriguing aspects highlighted in the Netflix video revolves around the infiltration of greed and the darker facets of capitalism into the stock market over the years, shedding light on how things can go awry. An example presented in the video is when a CEO prioritizes short-term decisions and strategies, driven by the desire to capitalize on stock-related bonuses, even when fully aware of the adverse long-term implications of these choices. Here, human nature and greed often play a significant role, as the pursuit of immediate financial gains can overshadow the broader, more sustainable interests of the corporation and, subsequently, have detrimental consequences for long-term corporate sustainability and overall economic growth.

Personally, this is one of the main reasons I do not like stock trading, since no matter how well informed and technically competent I become, the “big players” could always manipulate the market in any direction they want, mostly ignoring the implications this could have on people’s lives.

The video concludes by highlighting the alarming exponential growth in the disparity between CEOs and the general population. It vividly portrays how the distribution of stock wealth is beginning to resemble a Pareto distribution, where the vast majority of wealth accrues to a minority, leaving millions of individuals in a state of vulnerability as they strive for financial stability. This reality is undeniably disheartening, underscoring the harsh truths of our society.