

Economics 104

Stock Portfolio Assignment

Part 2 .. choosing your own portfolio

This assignment **must be done during the window specified in the instructions** because we all want to start at the same time. Unlike nearly all others, this homework **will be collected**. See why in the instructions.

[again, you will told when to do this in class .. print and read this entire assignment carefully before attempting to complete it]

1. You have been given \$100,000 to invest. You may invest in stocks that are found on the NYSE Euronext and/or the NASDAQ market. You may not choose stocks listed on the OTCBB market (if you don't know what this is, don't worry about it). We are also excluding foreign stocks unless they are listed in the US markets (like Nokia) and mutual funds of all kinds. You will be allowed to choose **one** ETP (if you know what that is), including a global ETP, if you want. There is one additional restriction - the stocks chosen must be quoted by the Yahoo quote site, which will eliminate some small cap stocks.
2. You must choose a minimum of five stocks and a maximum of seven. No holding can be worth less than \$15,000. One and only one selection can be an ETP. The remainder must be ordinary stocks. ***Each stock that you choose must be from a different industry. Likewise only two stocks can be from the same sector.*** For example, you may choose two stocks from the TECHNOLOGY sector if one is DATA STORAGE DEVICES and the other is APPLICATION SOFTWARE.
3. ***This step is very important!:*** You cannot do this assignment during a weekday while stocks are being traded. ***This assignment must be done on a Saturday or Sunday or Friday night when the markets are closed on the weekend that your are assigned to do this. Therefore, this semester the assignment must be done during the window specified in the instructions for this year.*** All students in the class must start this portfolio on the same weekend. Likewise, you really can't start it, then return to it later. It should be done in one sitting. It is likely to take about an hour.
4. Build a new, separate portfolio on the finance.yahoo.com site. ***Do not combine this portfolio with the portfolio constructed to comply with part 1.*** First build your portfolio off-line, using Yahoo to find symbols and prices. Find the symbols of the stocks you have chosen, also looking up the current price for the prior day's close for each stock, being very careful to record the *exact* adjusted closing price, including decimals. Then construct your portfolio off-line, including how many shares you are going to purchase of each (the total should come out slightly less than \$100,000) before trying to build this portfolio in yahoo. Basically, spend \$100,000 to buy four to six stocks.
5. Now build a new portfolio in yahoo. When you get to ***Default View***, select the default ***Detailed*** option. At this stage you are only listing the stocks that are in your portfolio and naming the portfolio. ***Save*** the portfolio, which should bring up a new screen.

6. When the new screen showing your portfolio appears, select **Add/edit holdings** from the top menu. On the page that appears select Friday's date, the number of shares you have decided to purchase and the price paid. Do not select other features, such as commission (we are going to ignore commission, which would be nominal given the large size of our portfolio), high or low limit. After checking your entries, **Save** the portfolio again, which will take you back to your original page, which will **not** reflect the data you just put in, but will show charts and detailed information.
7. Now select the **Performance** option from the top menu. A grid should appear showing your performance values. If you were careful in your calculations and used actual closing prices then the **MKT VALUE** of the portfolio should be very close to \$100,000 and the **GAIN** should be very close to zero (if there is an error of less than 0.1% don't worry about it, otherwise fix it).
8. Print out your portfolio **Performance** sheet. **Do this right away** because tomorrow the page will not look like this! On the date specified in class or in the instruction set for this homework, submit it to the instructor. Once you do that, you are "entered."
9. You may not alter this portfolio throughout the semester. You are stuck with the decision made for step one (which makes this a little unrealistic). You may neither add nor remove stocks, nor may you change proportions. Basically, the ending portfolio must look just like the portfolio printed in step 7. Only the portfolio value will be different.
10. You are expected to frequently monitor this portfolio throughout the semester. I will, however, collect nothing additional from you unless you wish to undertake optional step 11.
11. [Optional]: On the day near the end of the class that the instructor specifies, you may again print out your portfolio **Performance** sheet with its new calculated value and submit it to the instructor for comparison to all others submitted. If you are among the top performers as measured by the rate of increase in the portfolio's value, then you will be rewarded according to the following schedule: (a) top portfolio: a free Ducky, WASD, or VORTEX mechanical keyboard with Cherry MX keys (you specify which), (b) 2nd portfolio: a gaming mouse, (c) 3rd through 10th portfolio: various assorted prizes chosen by your teacher. There is no penalty for failing to submit your final portfolio, nor any penalty for failing to be in the top 10. (**Note:** There is a penalty for failing to set up this portfolio as described in step 7).