

Fundamental Analysis

Fundamentals and macro-events can represent catalyst moments for stocks. It can either be a merger between two companies, a company missing hugely on earnings or a change in regulation. Any of those events could cause huge movements and change of direction for a stock.

Investors look at these events (change in a fundamental/macro metric) to make new evaluations and investment decisions.

Traders look at these events to manage risk and to trade them (event-based trading).

Fundamentals:

When using fundamental analysis we are trying to evaluate the worth of a company. By doing this we are trying to figure out what it's fair value is. If we believe that its value is higher than its current market value we would buy shares in the company as we expect the shares to increase in price. In this analysis, we believe that market value will converge to fair value over time.

Fundamental analysis is done by examining the financial statements that companies are obliged to release on a quarterly basis. These are the:

- Balance sheet
- Income statement
- Cash flow statement

You can find all company statements on the Securities and Exchange Commission at the following link:

<https://www.sec.gov/edgar/searchedgar/companysearch.html>

There are different reports one can find on the SEC website. Here are some notable ones where you can find financial statements included.

SEC Required Filings

Form S-1: Registration statement filed before the sale of new securities to the public. This includes financial statements, risk assessment, underwriter identification, and the estimated amount and use of the offerings proceeds.

Form 10-K: Required annual filing that conveys information about the company's business, management, legal matters, audited financial statements. This report has many similarities with the annual report that is given to shareholders.

Form 10-Q: American public companies are obliged to submit this form on a quarterly basis with updated financial statements but unlike 10-K forms, 10-q forms do not have to be audited.

Form 8-K: Public companies must submit this form when there are important events such as important asset acquisitions and disposals, changes in management, its financial statements or markets in which its securities trade.

Forms 3, 4 and 5: This filing includes information about the change of beneficial ownership by a company's officers and directors.
