Other Important Metrics

Insider: Any person who is a director or a senior officer of the company. Also any person who owns more than 10% of a company is considered an insider.

Insider Ownership: This is equal to the total number of shares owned by insiders divided by the shares outstanding.

Insider transactions: This is the change in insider ownership in the past X months. This can be used to get an idea about recent insider transactions.

Institutions: Mutual funds, hedge funds, pension funds, insurance companies, banks or other large financial organizations that manage funds.

Institutional ownership: This is equal to the total number of shares owned by institutions divided by the shares outstanding.

Institutional transactions: This is the change in institutional ownership in the past X months. This can be used to get an idea about recent institutional transactions.

Float: The shares that are available for trading on the market. This equals the shares oustanding minus all shares held by the company, controlling-interest investors, insiders or the company's stock ownership plan.

Short float (short interest shares): The number of shares that are curently short on the market. It is calculated by dividing the total number of shares short by the float.

Short ratio (short interest ratio): The short interest gives us an indication of how many days it would take for all the shorts to cover. To calculate this ratio you need to divide the total amount of shares short by the average daily volume.

What works best for which Strategy		
	Mean-Reversion	Momentum
Growth stock		
Value stock		
Low Float		
Low Instituational		

Stock Splits: This is a way to divide an existing share into multiple shares which increase shares outstanding. Technically, the shareholder holding this stock has more shares but the value of his or her holding remains the same. Splits are expressed in ratios such as 2 for 1. Meaning that for each stock held, you will receive two.

Example: You hold 100 shares of ABC @ $30. After a 3 for 1 stock split, the holder will now have 300 shares that are now worth $10 each.
The arithmetic is as follows:
$30 x 100 shares = $10 x 300 shares = $3000.

Some companies use stocks splits when they want to keep the stock price at a certain price range.

Reverse Stock Split: After a reverse stock split, there a fewer number of shares that trade at a higher (again market value of holdings should remain unchanged). There are different reasons why companies conduct reverse stocks splits. For one, there is a minimum price that a company's stock needs to trade at to stay listed on the exchanges. Also some companies just don't want to be perceived as being of lower investment grade (since some people perceive low stock prices with low quality).

<u>Effects of such events on Financial Ratios</u>v
Cash dividends: decrease assets (cash) and shareholders' equity (retained earnings). All else equal, the decrease in cash will decrease liquidity ratio and increase debt/equity ratio.

Stock dividends and stock splits have no effect on these ratios as these events do not affect the company's value. All it changes is shares outstanding

*** It is of extreme importance for short term traders to understand the incidence of dividends on their portfolio. Being either long or short on ex-dividend date has a direct effect on the price.

- If you are long a stock on ex-dividend date, you will receive the dividend but the stock you're holding will probably fall by the same amount.

- If you are short a stock on ex-dividend date, you will have to pay the dollar value of the dividend out of your own pocket. As mentioned earlier, the price of the stock will probably decrease by the amount of the dividend. Therefore, don't forget to adjust your exit appropriately.