

# Financial markets

Family



Financial Markets Stock Track Table of Contents This paper discusses about Stocktrack portfolio. Different bonds, shares, options, mutual funds were invested and the result is being discussed. (Lessons learnt from 25 years of trading) Introduction \$1, 000, 000 were invested in different stocks ranging from Bonds, shares, options, mutual funds, ETFs and Futures. Investment was made from January, 2011 to April, 2011. I have to invest these amounts through stocktrack. com which is a simulation website for investment in stock exchanges. (Anon., n. d.) After performing analysis of different stocks I have identified the following: 1. Best performing investments during that period 2. Worst performing investments during that period 3. Performance of Financial versus Non Financial Institutions. I will discuss them one by one with the analysis as required. (Lessons learnt from 25 years of trading) Best performing investments I have ranked performance of my stocks in terms of cumulative returns by the Companies. The analysis of these companies is also presented in terms of return per share and percentage of return on Investment. (some lessons learnt) Stocks The best performing investment in my portfolio is Yamana Gold Inc. (AUY) which was purchased at the price of \$11. 91 and was sold at \$13. 30 per share. Investment was made in 1660 shares and total return worked out to \$2, 307. 40. 11. 66% is the return in terms of total investment made. . (What is Stocktrack) The basis for increase in the prices of Yamana Gold was that the gold prices in the international market were increased between January to April, which resulted improved the performance of Yamana Gold and resulted as a reason of better returns to the investors. 2nd best performer in my portfolio is Netflix Inc (NFLX) for which I purchased 90 shares at the price of \$219 and sold it for \$234. 86 resulting in the gain of \$15. 86 per share which is the highest per share

<https://assignbuster.com/financial-markets/>

return from any share in my portfolio. Therefore total return comes out to \$1,427.40. 7.24% is the rate of return on the said investment. (What is Stocktrack) The main reason for increase in the prices of Netflix Inc is that some of the films which were released by Netflix Inc got very good response in the box office giving company high returns and therefore the prices of shares also shown good increase. (Lessons learnt from 25 years of trading) 3rd best performer was Chevron Corp (CVX). Total trading in this scrip was 100 shares. Total profit realized from this scrip \$1,257 which is 3rd in terms of total profit and 2nd in terms of earning per share. 12.93% is the total return on the investment. . (What is Stocktrack) The rise in international oil prices was the primary cause of Chevron Corp.'s profit. Mutual Fund The best performance in terms of return was given by Fidelity Low-Priced Stock Fund which gives cumulative return of \$1,668.32 making it \$1.33 per share and 3.34% in terms of return on investment. 2nd best performer in mutual fund was Matthews China Fund (MCHFX) which gave total return of \$1,066.35 which makes it \$0.63 per share and 2.13% was the return from total investment made in this mutual fund. (What is Stocktrack) Worst performing investments Worst performing investments are ranked on the cumulative losses incurred by these investments. Other analysis presented for these investments are per share losses and the total losses in term of percentage of total investment made. (Lessons learnt from 25 years of trading) American International Group (AIG) is the investment in which I have sustained the highest loss. Total loss incurred by AIG amounts to \$3,756.25 which is worked out to \$6.01 per share and 14.83% is the percentage of loss as expressed in comparison with total investment. Recent recession hit badly the stocks related to financial sector therefore AIG also got a downturn and <https://assignbuster.com/financial-markets/>

the resultant losses were transferred to share holders in the form of no return so the share prices also decreased. (Lessons learnt from 25 years of trading) Sony Corp (SNE) is 2nd worst performer in our portfolio. Total loss sustained by this investment amounts to \$2, 822. 40 and \$5. 04 is the loss per share. This investment has absorbed 14. 14% of the capital invested by me. The reason for Sony Corp's (SNE) losses was economic crisis because of which the demand for high-tech electronic items was decreased. (some lessons learnt) Analysis between Financial and Non Financial Sector I invested in two financial scripts namely American International Group and Bank of America Corp. The performance of these two scripts was not good and they have incurred losses in our portfolio. Total loss sustained by both the companies amounting to \$4, 806. 25.(What is Stocktrack) The main reason for the decrease in the prices of all the stocks related to Financial sectors are the recent economic crises which hit the financial industry badly and the resultant stocks performed badly. In case of non financial sector I have incurred a profit of \$606. 85 cumulatively. (Lessons learnt from 25 years of trading) The reason behind the slight increase in the non financial sector is that the recession has hit most of the sectors only those sectors which were not based on the interest. This factor contributed in the upward increase in the stock as the stocks selected by me were selected from both the baskets i. e. the one which got hit from recession and the others which did not get infected hence the ending result was positive by minimum amount. Lessons learnt from Trading Trading in stock is an art which needs to be learnt diligently and carefully. One of the problems in trading is that one wrong step taken may cost you millions of dollars. (What is Stocktrack) The lessons learnt by me are that the investment decisions should be made

<https://assignbuster.com/financial-markets/>

carefully in order to avoid huge losses. Further the trading activity needs complete study of the companies so the study should be conducted before investing in the trading activities. The trend analysis should be done before making an investment decision. Close monitoring of news is required in order to safe yourselves from the chances of sustaining losses against the decisions already disclosed by the company in other words we can say that consciousness is required while doing investment. . (What is Stocktrack)

Investments in gold or other commodity should be made with full care about the circumstances if the delivery can be made. Careful decision should be made before investing in options and futures as these can create huge problems.(some lessons learnt) Especially in options they may get all your money in without giving you single penny return. Investment in stocks which are involved in sophisticated business should be avoided. Portfolio should be diversified in its nature. If investment is made in a particular industry, there are chances that particular industry may face some problems due to which all the shares of that industry face declining trend and so the investment may also be devalued. (Lessons learnt from 25 years of trading)Other factor may involve taxation implication on a particular industry which may also result the investment to be devalued. Further if the investment is only made in shares it may also create problems. Long term investment plan may minimize losses. (Bulkowski, n. d.) (Mao, n. d.) Conclusion Based on the discussion above, I would conclude that the portfolio should be diversified enough to cover every aspect of risk involved in transactions of stock exchanges. The investments should be made after careful analysis of the market trends. Bibliography: Anon., n. d. What is Stocktrack? [Online] Available at: HYPERLINK " <http://www.stocktrak.com/Public/about/about>. <https://assignbuster.com/financial-markets/>

aspx" <http://www.stocktrak.com/Public/about/about.aspx> . Bulkowski, T. N., n. d. Lessons learnt from 25 years of trading. [Online] Available at: HYPERLINK " <http://www.smartmoney.com/investing/options/lessons-learned-after-25-years-of-trading-18197/>" <http://www.smartmoney.com/investing/options/lessons-learned-after-25-years-of-trading-18197/> .

Mao, J., n. d. some lessons learnt. [Online] Available at: HYPERLINK " <http://www.fraudwatchers.org/forums/showthread.php?t=44599>" <http://www.fraudwatchers.org/forums/showthread.php?t=44599> .