Stocks of partial ownership investments

Business, Industries

Every form of trading most always follows a similar pattern. A trader buys low, sells high, keeps the profit, keeps customers satisfied, and keeps a record. Trading in stocks is also a just the run of the mill form of trading in this regard. The only difference is that you don't have to do the trading yourself. Sometimes, people do it for you with your money but you must always have knowledge of what to buy and sell, and at what price you want to sell them. Usually when you trade in goods, you go through a process of acquisition. This includes the logistics of transporting your goods to where you want them, storing them, and sometimes, transporting them to your buyers; all of which you have to be involved in. Trading in stocks does away with all these operational details as stocks are not tangible objects. You simply acquire your stocks, and you have a figure with your name beside it as evidence that you own them. You don't need to transport them and you don't need to store them in the warehouse. These days, you don't even need to leave your house or contact the buyer before you sell. You simply look at the value of stocks you want to sell and sell them with the click of a mouse. Stocks, also known as company shares, are one of the most popular kinds of investments. They are higher in risks than other forms of investment like bonds but are also usually higher in returns.

Therefore, it is advisable to have a considerable part of your investment in stocks. If a company is doing well, you want to take part in their success. Stock prices tend to fluctuate based on supply and demand. You can make money by an increase in a stock's share price or if a company pays a dividend. This eBook shows you the fundamentals of investing and trading in stocks. Whether you are trying to increase and accumulate your money for future use, or you are looking at making some money in the short term, this eBook will be of help. It has been written in a very simple way to describe what the stock market is all about, what to know before you invest, and how to invest.

What are Stocks? A stock is a partial ownership investment. Also called shares, stocks are the parts in which the ownership of a business entity has been broken down into. These parts are then sold to people who can buy them and therefore, become stake- holders to the business entity. They contribute in a limited way to decision making based on the size of their shares and also share in the profits of the company in form of dividends.

Think about a business entity as a cake sliced up into numerous pieces and each piece sold to individuals. Each piece is a part of the main cake and also a cake on its own. Each piece of cake is a share in this regard. Investment in stocks is called an equity investment.

Basic Terms Before we go into details about stocks and the stock market, we need to get familiar with some commonly used words in investment. Asset An asset is an item in which the investor puts his money to enjoy the benefits of said resource. Typically the investor hopes that its value will appreciate and it will bring returns directly or indirectly. Assets can be tangible or intangible. Stocks are intangible assets.

Investment Portfolio

This is the total sum of all your investments, both in nature and in value. Investors can diversify their portfolio by investing in a variety of assets. For instance, you can have 30% of your investment in bonds, 30% in stocks, and the remaining 40% in real estate. Holdings Your holdings are the specific assets in your investment portfolio.

Asset class

An asset class is a group of similar assets, e. g. stocks and bonds. Assets in the same class usually have different risks and different returns for the investor even though they are similar in nature. For instance, if you invest in an IPO or initial stocks offering by Facebook, while buying a couple of stocks from Apple, what you are doing is investing in different assets of the same class (safe stocks of highly established companies). While the two assets are stocks, they would differ in value, risks and return on investment.

Equity

This refers to investment in an asset in form of partial ownership of an entity. Stocks are the most common form of equity investment.

Securities

A security is a tradable financial asset. It represents the asset that you have in- vested in, especially if it is in bonds or stocks. Bonds are called debt securities while stocks are called equity securities. Bonds are IOUs or debts. You are in effect becoming the lender to the issuer of a bond (corporation, government etc).

Return on Investment (ROI)

This is the value you get back for investing your money in an asset. Your returns can be in form of increased value when you sell your asset in the future or in form of regular profits or dividends. The Stock Market Basically, the stock market is a system where shares, derivatives, options and similar financial instruments from different companies are issued, bought, and then sold. All across the world, there are stock markets where millions of stocks from hundreds of companies are traded on a daily basis. There is a lot of speculation in the stock market. There are investors who buy shares of a company, in the hopes that it will perform well in the future. There are also investors who sell shares of a company, when they believe that the company will perform poorly in the future or if this is the best time to cash out on the gains. In the US, we have the New York Stock Exchange (NYSE) where public stocks from American companies are traded. The trade in stocks and other securities is regulated by the government through the Securities Exchange Commission (SEC). In the past, stocks have been a highly attractive investment in the US because the share price of most traded companies kept increasing.