

Stock prices business plan samples

[Business](#), [Company](#)



The beta (β) of a stock is the measure of the stock's volatility in comparison to the market. The market has a beta of exactly 1.0. The individual stock beta measures the deviation from this value. Thus beta measures the risk inherent in a stock. A beta greater than one implies the stock is riskier but also the returns are high; stocks with beta of less than one pose less risk, however the returns are also lower. Beta is important in finance as it measures the non-diversifiable risk of an investment.

The table below shows the stocks prices for various companies with different beta values.

Source: " My Portfolio." Yahoo Finance. Yahoo, 28 Nov. 2014. Web. 28 Nov. 2014. .

In the table above, stocks for General Electric and BAC have a beta of greater than one this implies the share prices of these companies tend to move with the market. However, for IBM, P&G and AT&T, Inc have a beta of less than one, this means that the share prices of these companies do not follow the market. As can be seen from the table the shares prices for P&G for example not as volatile as the prices for GE that has a beta of greater than one.

Stock prices are affected by technical factors, fundamental factors and market sentiments. The fundamental factors primarily determine the stock prices in an efficient market. The fundamental factors that affect the stock price are; stock risk as measured by beta, the rate of discount which is depends on the inflation rate, expected growth of the earnings base and the earnings base for the company (Fabozzi & Peterson, 2003, p. 16-19).

Technical factors on the other hand, are external conditions which alter the

forces of demand and supply for a corporation's stock. They include inflation, demographics, liquidity, trends etc. Market sentiments which refer to the individual and collective psychology of the market participants also affect the share prices.

References

Fabozzi, Frank, and Pamela Peterson. " Introduction to Financial Management and Analysis." Financial Management and Analysis. Second ed. Hoboken, New Jersey: John Wiley & Sons, 2003. 16-19. Print.

" My Portfolio." Yahoo Finance. Yahoo, 28 Nov. 2014. Web. 28 Nov. 2014. .