

ACTIVITY 4.1

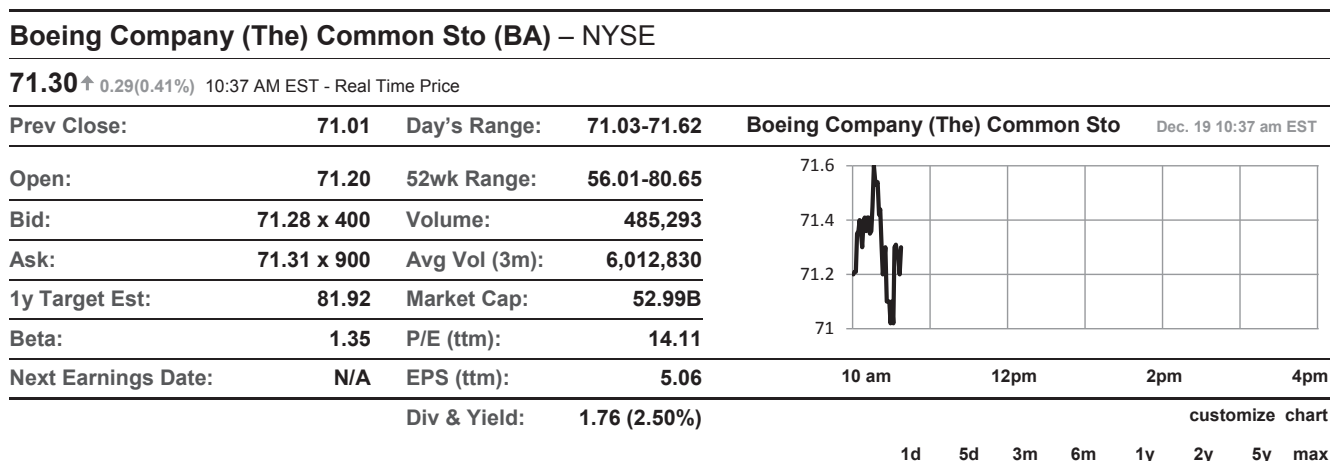
READING A STOCK TABLE

1. Overview of Financial Reporting

A wide variety of media outlets report on the world of stocks, mutual funds, and bonds. One excellent source is *The Wall Street Journal*, in print or online at <http://wsj.com> (subscription required for most content). Other newspapers and their websites have up-to-date information. Broadcast and cable networks report on investments as part of their coverage. Today, however, the most current sources of information for investing are online, including Yahoo! Finance, Google Finance, and CNN Money. Like the other outlets, these sites carry articles on changes in the financial markets and news about corporations. But the online sources are especially good at instantly updating the prices of stocks, bonds, the dollar, and other currencies and commodities. With free interactive tools, you can look for financial assets meeting particular criteria or customize graphs to help you understand price movements.

2. Examples of Online Stock Listings

The table below shows a typical online finance site entry for the aerospace company Boeing, followed by descriptions of the reported data.



Key to Stock Tables

At the top of the chart we find the stock's name and symbol along with the exchange where it is listed. The Boeing Company has the symbol BA and is traded on the New York Stock Exchange (NYSE). By typing in "BA" at websites and search engines, you can quickly get news and quotes about Boeing. "BA" uniquely identifies the stock.

Last Trade Price: This is the first and largest number you see: the price, in dollars and cents, at which the stock most recently was bought and sold. (You can refresh your browser during trading hours and see how the price changes as trades continue.)

Change: The change, positive or negative, between the most recent trade and the previous day's closing price. Positive changes are green with an up arrow. Negative changes are red with a down arrow. Changes will typically be listed as dollars and cents, and also as percentages (in parentheses).

Trade Time: The time of the reported trade. Sometimes results are almost instantaneous and are reported as “Real Time.” Free services may also report trades with a 15- or 20-minute delay.

Prev Close: The price of the last trade from the previous trading session, Monday through Friday.

Open: The price of the first trade of the day.

Bid: Currently, the best price a buyer is willing to pay for a stock, followed by the multiplication symbol (x) and the number of shares that buyer would like to purchase at the bid price.

Ask: Currently, the best price at which a seller will offer a stock, followed by the multiplication symbol (x) and the number of shares that seller would like to sell.

1y Target Est: This is an estimate of the stock’s “target price,” the price at which the stock will be selling a year from now. The estimate comes from analysts who follow the stock. Their opinions are collected by a financial service and provided free by most financial websites. (For more detailed or personalized information, you would have to pay.)

Beta: An estimate of the stock’s variability in following the overall market. For example, a stock with a beta of 1.00 has about the same variability as the overall market. A stock with a beta of 1.20 is about 20 percent more variable than the market. Traders aiming for short-term gain may seek out high-beta stocks. High-beta stocks gain more in good times (and lose more in bad times) than do low-beta stocks.

Next Earnings Date: The next date on which the company is to release earnings information.

Day’s Range: The highest and lowest prices at which a stock has traded during the current session. This will be reported as “N/A” (not applicable) before the market opens.

52wk Range: The highest and lowest prices at which a stock has traded during the current 52-week period. If these numbers are very close together, it indicates a stock that has not moved very much. This may be an important and stable stock for some investors to hold. However, for players in stock market competitions and active short-term investors, a stock that moves around more may be a better choice. For those stocks that move around a lot, there will typically be reasons for the movement in the news coverage on the company.

Volume: The number of shares that have been traded during the current session.

Avg Vol (3m): The number of shares traded daily, on average. (The formula is somewhat complicated and goes back three months.) This can help you evaluate whether a given day’s volume is unusually high—if it is, find out why.

Market Cap: This is the “market capitalization,” or total value of the company as determined in the stock market. It equals the number of shares of stock outstanding times the current price. Diversifying a stock portfolio includes getting small-cap, mid-cap and large-cap stocks. Those seeking price movement for stock market competitions may find good bets in small-cap stocks, which are not as well known as large-cap stocks such as Apple and Coca-Cola.

P/E (ttm): This is the Price-Earnings ratio, or P/E ratio. It is calculated by dividing the stock’s most recent price by its annual earnings per share. The higher the P/E ratio, the

more profit growth shareholders expect from the company. A low P/E ratio means the stock's price is expected to more closely reflect the current earnings of the stock. When a company has losses for the last year, no P/E ratio will be reported. P/E ratios are useful in comparing companies in the same industry but can vary widely across industries. The "ttm" in the abbreviation stands for "trailing twelve months," meaning that earnings are calculated for the most recent 12 months.

EPS (ttm): This figure is "earnings per share," one measure of the profit attributable to each share of stock. It comes from dividing reported earnings by the number of shares of stock outstanding. Like the P/E ratio, it is commonly calculated on a "trailing twelve months" basis.

Div & Yield: These numbers show the dividend per share paid out over the last 12 months in dollars and cents, followed by the yield (that same dividend as a percentage of the most recent price per share). Dividends vary across industries, with some companies paying large dividends and others paying no dividends at all. To compare dividends across industries, use the yield figure since it is already in percentage terms. Some investors use dividends as a regular source of income and so they are interested in the dividend and yield figures. Other investors are more interested in the growth of the share price and are less concerned with dividends.

Stock Listing Questions

Directions: Use information from the online stock listings to write answers to the following questions.

- A. What is the 52-week high stock price for Boeing?

- B. By 10:37 a.m. on that December 19, how many shares of Boeing stock had been traded?

- C. What is the 52-week low stock price for Boeing?

- D. What is the annual dividend for Boeing?

- E. What was the closing price of Boeing stock on the previous day of trading?
- F. When the website was consulted, was Boeing stock up or down for the day? How much? What percentage was that?
- G. What is the percentage yield for Boeing?
- H. What is the price/earnings ratio for Boeing?

Questions for Discussion

- A. What is revealed about a company by the 52-week high and low?
- B. Why might dividends be important to some people?
- C. What do investors expect to happen when the P/E ratio of a company is high for its industry?