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# STOCK MARKET 101

# What is investing?

**Investing** is the act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit. Simply put, *investing means putting your money to work for you.*

# What are the (top) investing myths?

**Myth 1: Stocks are only for the rich**

Contrary to popular belief, the stock market is not a club exclusive for the rich. In fact, the market is open to anyone who wants to participate. Rich people engage in the stock market every day because they are keenly aware of the great deal of profit that can be made out of the stock market. With Philstocks.ph ™, we can help you take your disposable income and turn it into a golden future, just like the all the millions of people who have made substantial amounts via taking part of the stock market. For as low as Php 5,000, you can start investing into the stock market with us.

# What are the (top) investing myths?

**Myth 2: Stock Investing is gambling**

The stock market is NOT gambling. Gambling is relying on nothing but your gut feeling and on chance. Investing in the stock market can be a scientific process.

Investing in the stock market involves forecasting, tracking and trending. All movements are calculated so that all possible risks are minimized, and so that your returns are maximized.

It is not about taking a blind risk; rather, it is putting your trust in good companies.

# What are the (top) investing myths?

**Myth 3: It is difficult**

The stock market is NOT difficult to comprehend. With the advent of the Internet, we can get fundamental and technical information from a lot of trusted websites. Moreover, the PSE and SEC conducts regular learning sessions for those who may want to learn more about the market. With this overwhelming information around us, understanding the stock market is not an impossible feat. At the end of the day, it is our desire to learn that will enable us to become an empowered investor.

# What are Stocks?

- Stocks represent the ownership of a company's assets and profits.
- Simply put, being a stockholder makes you a part-owner of that particular company.
- More stocks = more ownership in the company.

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# How does the stock market works?

The stock market is a collection of companies and individuals. Qualified companies converge here and open ownership to the general public through the buying and selling of stocks. **The stock market is  where the buying and selling of stocks (and other transactions) from publicly-listed companies take place.** Locally, the Philippine Stock Exchange (PSE) is the unified platform for trading for all the qualified companies in the Philippines.

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# Who's Behind It?:

## Guardians and Vanguards

Regulatory Institutions

- **Philippine Stock Exchange** (PSE)

  Non-Government Entity

  There are regulations in place for the safeguarding of companies and investors alike.

- **Securities and Exchange Commission** (SEC)

  Before a company is publicly listed, it goes through strict and rigorous screening by the SEC.

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# What is the Philippine Stock Exchange index (PSEi)

- It is the fixed basket of thirty (30) common stocks of listed companies
- It is carefully selected to represent the general movement of the stock market
- It is the benchmark measuring the performance of the Philippine stock market

## Three criteria for the company to qualify for PSEi

1. **The company's free float level must be at least 12%.**
2. **The company must rank among the top 25% in terms of median daily value in nine out of the twelve-month period in review.**
3. **Ranking of TOP 30 qualified companies based on full market capitalization.**

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# What moves stock prices?

**The law of supply and demand works in the stock market.** If all things are held constant, ceteris paribus, the stock price increases when there is an increase in demand (or decrease in supply) of the stocks that you may want to buy (or sell). On the other hand, the stock price decreases when there is a decrease in demand (or increase in supply) of the stocks that you may want to buy (or sell).

Furthermore, robust economic growth, low inflation rates as well as stable interest rates and foreign exchange rates are good news for the stock market. They usually have a positive impact on market performance as these indicate a sound macroeconomic environment. An opposite scenario in any of these economic indicators could negatively affect the stock market.

# How Do I Make Money in the Stock Market?

## 1. Price Appreciation

– The money you make through the difference between the price at which you bought the stock and its current market price.

| Date | June 2012 | June 2013 |
|---|---|---|
| Number of shares | 250 shares | 250 shares |
| Price per share | Php 20/s | Php 23.20/s |
| Total | Php 5,000 | Php 5,800 |

Php 800

Market Low at 16% increase per annum

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# How Do I Make Money in the Stock Market?

## 2. Dividends

- Your share of the company's success as a part-owner.
- Can come in the form of cash or stocks.




| | Cash Dividend | | Stock Dividend | |
|---|---|---|---|---|
| Number of Shares | 300 shares | 300 shares | 300 shares | 300 shares |
| Price /% per share | Php 5.00/s | Php 40.00/s | 100% stock dividend | 25% stock dividend |
| Total | Php 1,500.00 | Php 12,000.00 | 600 shares | 375 shares |

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# How Do I Make Money in the Stock Market?

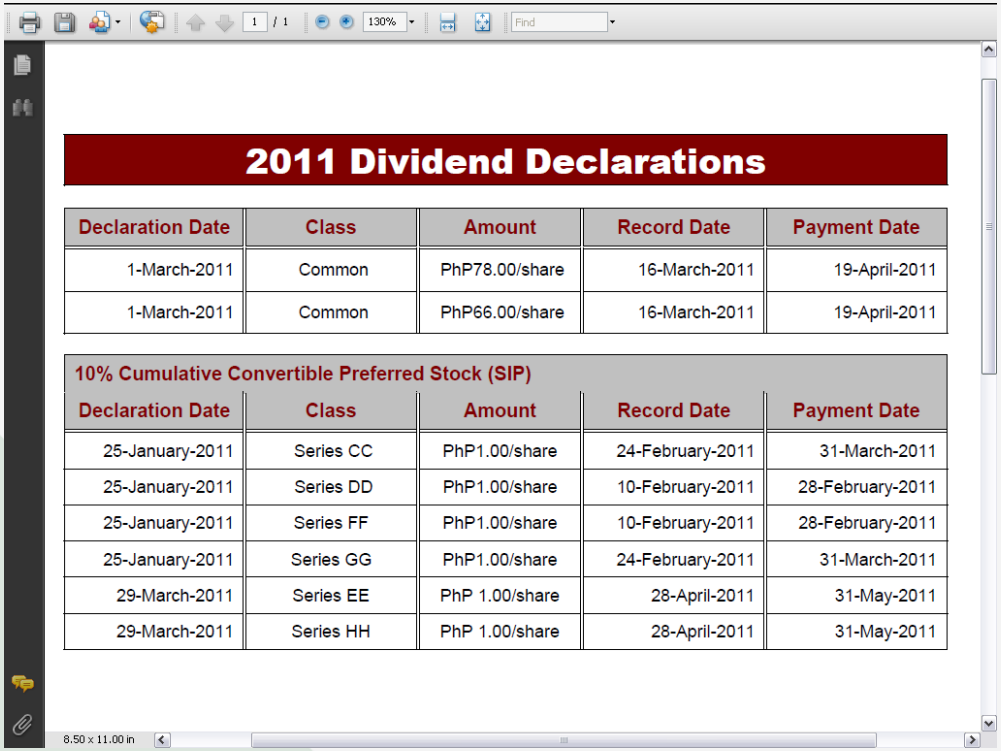
## Real-Life Example:

***2013***
***Philippine Long Distance Telephone Co. (TEL)***
***Php 112.00/share***

***For example:***

*Number of Shares (TEL): 1,000*

*Cash Dividend: Php 112,000.00*



**2011 Dividend Declarations**

| Declaration Date | Class | Amount | Record Date | Payment Date |
|---|---|---|---|---|
| 1-March-2011 | Common | PhP78.00/share | 16-March-2011 | 19-April-2011 |
| 1-March-2011 | Common | PhP66.00/share | 16-March-2011 | 19-April-2011 |

**10% Cumulative Convertible Preferred Stock (SIP)**

| Declaration Date | Class | Amount | Record Date | Payment Date |
|---|---|---|---|---|
| 25-January-2011 | Series CC | PhP1.00/share | 24-February-2011 | 31-March-2011 |
| 25-January-2011 | Series DD | PhP1.00/share | 10-February-2011 | 28-February-2011 |
| 25-January-2011 | Series FF | PhP1.00/share | 10-February-2011 | 28-February-2011 |
| 25-January-2011 | Series GG | PhP1.00/share | 24-February-2011 | 31-March-2011 |
| 29-March-2011 | Series EE | PhP 1.00/share | 28-April-2011 | 31-May-2011 |
| 29-March-2011 | Series HH | PhP 1.00/share | 28-April-2011 | 31-May-2011 |

*Source: http://www.pldt.com.ph/investor/Documents/2011_Dividend%20Declarations_Update_03292011.pdf*

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# What are the risks and returns of investing in stocks?

As to any investment, the rewards go hand in hand with risks. Investing in stocks gives you the following risks and returns:

- **Returns: (1) high income potential in stocks, (2) it is a liquid investment, and (3) it has tax advantage – ½ of 1% of the total value of stocks is the additional cost**
- Risks: (1) The higher the income potential, the higher the risk, (2) the investor needs to evaluate his/her stocks

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# How to minimize risks in the stock market?

- **Do a thorough research on your investments.** Research for the fundamental value of the company that you want to invest in. Evaluate the profitability and performance of the company through its earnings and dividends, assets, liabilities and net profits, etc. Don't worry! Such financial information can also be found in the Philstocks console.
- **Follow industry news.** This will help you anticipate various factors that may affect the company's performance.

- **Diversify.** It is safer to buy several different stocks rather than concentrating all of your funds in few stocks to avoid the impact of poor stock choices. Diversify into more than one industry.
- **Invest over a long time.** You can get better returns on your investment when your money is invested over a long time.
- **Invest on knowledge.** Knowing the basic fundamental and technical know-hows of the stock market allows you to make informed and wise decision in your investments.

- **Keep your emotions under control.** Emotions tend to get in the way of logic and you may end up feeling your way through your investments.
- **Stick to your investment plan.** The investment plan is your accountability partner – it gives you the discipline of investing.
- **Understand your portfolio.** Maintain a record of all your transactions and have a thorough understanding of your portfolio.
- **Learn from wrong decisions.**

# Reference


- www.pse.com.ph
- www.investopedia.com
- www.us.etrade.com
- Stock Investing for Dummies (Video URL: http://www.youtube.com/watch?v=Q6otSoMD7Bo&feature=related)
- www.howstuffworks.com