

SUMMER INTERNSHIP REPORT 2021

COMPARATIVE ANALYSIS ON STOCK MARKET

(Submitted for MBA in **Biju Patnaik Institute of Information Technology & Management**,
Affiliated to **Biju Patnaik University of Technology**.)

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CERTIFICATE

This to certify that the project work titled, **Comparative analysis of Stock Market** is a bonafide work of P LINGARAJ REDDY. Regd. No-2006258127 carried out in partial fulfillment for the award of degree of Masters in Business Administration for the session (2020-2022) of **Biju Patnaik University of Technology**, Odisha under my guidance. This project work is original and not submitted earlier for the award of any degree/diploma or associateship of any other university/institution.

Date:

Place: Bhubaneswar

DR. RAMAKRUSHNA MISHRA

Asst.Prof (finance)

BIITM

DECLARATION

I do hereby declare that the project work titled, “**Comparative analysis of stock market.**” Submitted to **Biju Patnaik Institute of IT & Management Studies (BIITM)** affiliated to **Biju Patnaik University of Technology (BPUT)**, is a record of research work done by me under the guidance of **Dr. RAMAKRUSHNA MISHRA**, **Assistant Professor, BIITM**, in partial fulfillment of requirement for the award of Master in Business Administration.

Date:

Place: Bhubaneswar

Regd No. 2006258127

ACKNOWLEDGEMENT

It is really a great pleasure to have this opportunity to express the feeling of gratitude imprisoned in the deepest core of my heart. It is not possible to prepare a project report without the assistance & encouragement of other people. This once is certainly no exception. On the very outset of this report, I would like to extend my sincere obligation towards all the personages who helped me in this endeavor. Without their active guidance I would not have made head way in the project.

I do express my sincere thanks to Dr Ramakrushna Mishra, faculty of BIITM for his guidance and continuous monitoring of the project.

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I cannot conclude this acknowledgement without thanking my family, relatives, acquaintances and friends who offered their valuable cooperation to me at every stage in the research and project report.

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Chapter-1

INTRODUCTION

You will start your journey at Sanguine as an individual contributor working in a team to introduce and showcase Financial Market App FinsKool which Simplify the concepts of the Financial Market for every Indian.

You will also be responsible for mentoring students/ Clients and will play a role in their learning journey. Your role will start with contacting customers to set up telephonic phone calls, counsel the students/Clients on learning pedagogy of the Financial Market.

- **Make counselling, mentoring, and business while taking up a sales responsibility.**
- **Develop a growth strategy focused both on financial gain and customer satisfaction.**
- **Conduct research to identify new markets and customer needs.**
- **Promote E-learning online program through Mobile App addressing client, students' goals.**
- **Build long-term relationships with new and existing customers.**
- **Proven working experience as a business development manager, sales executive or a relevant role.**
- **Proven sales track record**
- **Strong Financial Market Knowledge is a plus**
- **Proficiency in MS Office and/or CRM software**
- **Proficiency in English Communication and strong negotiation skills**

Chapter -2

COMPANY OVERVIEW

You will start your journey at Sanguine as an individual contributor working in a team to introduce and showcase Financial Market App FinsKool which Simplify the concepts of the Financial Market for every Indian.

Employee

- **Rishabh Gaur**
 - Secretary
- **Ankit Singh**
 - equity advisor intern
- **Nancy Gahlot**
 - Equity advisor intern
- **Shiv Mehta**
 - Equity Advisor Intern
- **Ananya Swain**
 - Intern at FINSKOOL

Notable Alumni

Moulii Khanna

Analyst
KPMG

Niveditha KI

Specialist
PwC

Shalini Patra

Business Development Executive
BYJU'S

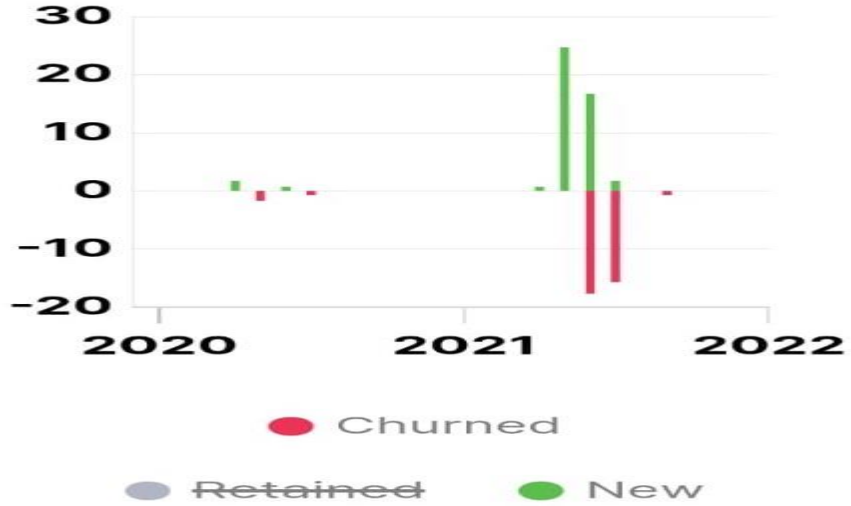
Gaurav Mehta

Class GWOAT Coordinator
Guru Jambheshwar University

Total Employee Count

Employee Retention

Employee retention in the past 2 years



Employee Metrics

Total Employee Count

Employee Retention

16.7%

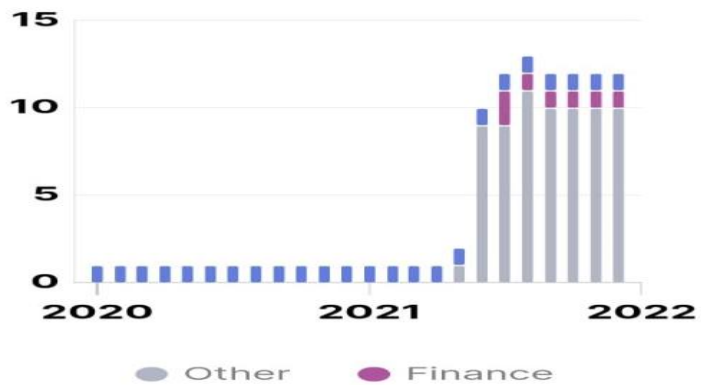
6 Month Growth

91.7%

1 Year Growth

91.7%

2 Year Growth



Chapter-3

HISTORY OF STOCK MARKET

Introduction

&

History

In the following report we discuss different strategies of trading on the stock market and analyzed the stock market using fundamental and technical analysis. A portfolio of ten different stocks with approximately \$10,000 invested in each stock was created for each analysis and its performance assessed each week. Along with the two analyses another method called selling short would be tested with five different stocks. The goal of the project was to gain valuable experience on analyzing stocks and a better perspective on the stock market as a whole to help our future in investing.

The History of the Stock Market

The very beginning of the stock market is back in 1602, when the Dutch East India Company became the first company to offer shares for investors to buy over the Amsterdam Stock Exchange. They did it with the joint stock company model. During European colonialism the companies involved raised a large portion of their capital by selling shares. It was also a safe way, because it allowed diversification of their funds so it wasn't all invested in a single risky voyage. The shareholders then either earned dividends for successful trades, or shared in the losses. The early settlements were also funded this way, for example the Virginia Company used this for Jamestown. The Amsterdam Stock Exchange was the first exchange to use continuous trading in the early 17th century. In the beginning of the Revolutionary War the government sold bonds in order to finance the war effort. In the beginning of America, the companies sold stock

over here. The American stock exchange was first founded in Philadelphia in 1790. Two years later 24 men founded the New York Stock Exchange in order to control the securities market. The people from New York founded the New York Stock and Exchange Board after observing the way Philadelphia ran its stock market. The Industrial Revolution which occurred near the end of the 19th century, and the beginning of the 20th saw a large boom in the stock market, due to the success of the industrial corporations. On October 29, 1929, Black Thursday, the stock market crashed to record lows, which was the beginning of the Great Depression which lasted until World War 2. Due to this the government-imposed regulations on the stock market, to try to safeguard the economy. The two largest government legislations were the Securities Act of 1933 and the Securities Act of 1934. The Securities Act of 1933 was also called the Truth in Securities act. It requires everyone offering stocks to be registered. The registration forms require a description of your business and properties, a description of the securities for sale, information about the management of the companies, and financial statements. These are all available through EDGAR to any investor interested in a company. The Securities Exchange Act of 1934 is also known as the Exchange Act. This act regulated the trading of stock on the secondary market by people unrelated to the issuer. It regulates that there be specialists to direct the trading to make it more fluid. Also, it included anti-fraud provisions, making insider trading, price fixing, and fake company sales. The stock market did not recover until the beginning of World War 2. NASDAQ began in 1971, as the first electronic stock market. There was another crash of the market in October 19, 1987, which was the worst since Black Thursday. This one was named Black Monday, after the original crash. The Dow Jones Industrial Average fell 22.6%, as seen in Figure.

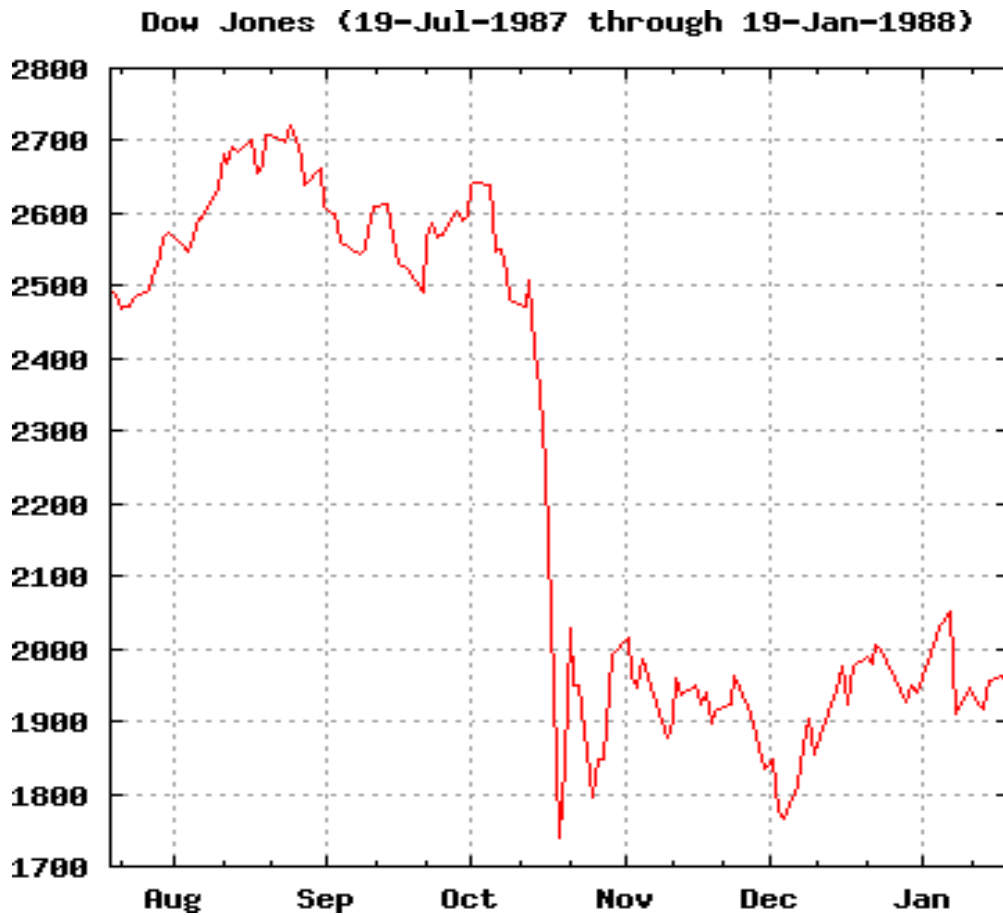


Figure 1.1 – Dow Jones Industrial Average (Jul 1987 – Jan 1988) [7].

This crash also happened around the world, with Australia falling 41.8%, Canada 22.5%, Hong Kong 45.8%, and the United Kingdom 26.4%. There is still no definite cause of this crash, nothing significant event happened that day which might have brought on the crash. After this the government stepped in again and enacted several more regulations to prevent it from happening again.

Chapter-4

STOCK SELECTIONS

Technical vs. Fundamental Analysis

Technical and Fundamental Analysis are as different as the Firm-Foundation Theory is from the Castles-in-the-Air Theory because while Technical Analysis is used by those who support the latter, Fundamental Analysis is used by those who support the former. Technical Analysis consists of the following of charts to predict where the market will go and, “Most chartists believe that the market is only 10 percent logical and 90 percent psychological” . While the Fundamental analysts don’t believe in studying the past or using charts because the, “Fundamental analysts take the opposite tack, believing the market is 90 percent logical and only10 percent psychological”.

Technical Analysis

When analyzing stocks using technical analysis there are two principles that the follower must take into the account. “The first principle of technical analysis is that all information about earnings, dividends, and the future performance of a company is automatically reflected in the company’s past market prices” “The second principle is that prices tend to move in trends: A stock that is rising tends to keep on rising, whereas a stock at rest tends to remain at rest”.The ability to find and read the charts of a stock and analyze it is paramount to the implementation of the technical analysis of the stock market. Technical analysis concerns the study of charts and followers of this type of stock analysis are known as, chartists, and do not believe in information such as dividends or earnings as the fundamentalist does because they feel

that it distracts from the ability to correctly predict what the future of the stock will do. A chart showing the past market prices and the trade volumes of a stock in the past is all the technical analysis would need to analyze where the stock will go in the future. It is important to know that as a stock is rising it is believed that it will keep rising because of the momentum of a stock. Once a stock has an uptrend it will then slightly fall and go up again forming what looks like a shoulder then fall slightly and go up a little higher than the should fall and go up again forming the next shoulder, and then the technical analysis looks for the stock to fall below the line that the valleys have lined up on, called a neckline. If the stock falls below the neckline it will quickly be sold because it will usually result in a downtrend similar to the uptrend occurring before.

There are many indicators used in technical analysis to help investors determine whether a stock is a good buy or sell. Those that will be used in our technical analysis are the Moving Average Convergence/Divergence (MACD), Money Flow Index (MFI), Price Rate of Change (ROC), and Relative Strength Index (RSI).

The MACD indicates the relationship between a longer-term moving average and a short-term moving average. It is calculated by taking the difference of the 26-day exponential moving average (EMA) and 12-day EMA. The MACD is then plotted against a 9-day EMA called a signal line. This functions as a buy or sell trigger so that when the MACD falls below the signal line it shows a sell signal, and when is above the signal line it expresses a buy signal. Also, when the MACD diverges far away from the signal line it means there is likely going to be a change in the current trend

The MFI shows the strength between the cash flow in and out of the stock and a divergence from the current price trend is an indicator that there may be a reversal in the trend.

It is often calculated on a 14-day period on a scale from 0-100. A stock with a reading of over 80 can be considered overbought and a candidate for selling. Conversely, a reading of 20 or lower is an indicator that the stock is oversold and could be considered a good investment

Like the MFI, the RSI is rated on a scale from 0-100 and the same buy and sell indicators of 80 and above for overbought and 20 and below for oversold are used. It compares recent gains to recent losses to attempt to determine the conditions for a stock being overbought or oversold

The ROC measures the change of the current price to the price in the past to acquire a percentage for how fast the price of the stock is rising or falling. This lets an investor know what the current price momentum of the stock is. A positive ROC value indicates that the price is increasing while a negative shows a decreasing trading price.

Chapter-5

TRADING STRATEGIES AND THEORIE

Selling Short

Selling short is a very risky way to make money in the stock market on a stock that is failing in price. It consists of the buyer buying stocks from a broker on margin, which means the buyer opens a margin account with their broker in which they put an initial investment in. The buyer is then usually allowed to invest double what is in the account on margin, meaning that if there was an initial amount of 5000 dollars placed in the account, the buyer would be able to make an investment of 10000 dollars on margin. How selling short works is that the buyer invests into the stock without using their own money by using the loaned money. Then if the price falls on the stock, they buy back the amount of stock that was borrowed from the loan at a lower price giving them a profit of whatever the difference between the loaned amount and the buyback amount of the stock was. The reason that it is so extremely risky is because if a person sells short there is no limit on how high the stock can increase therefore the investors loss could be more than the initial investment. Another reason why selling short is so risky is because in a way you are investing against the movement of the market because due to inflation the market is always increasing, and along with this there are many problems that can occur with selling short. The first of which is if many investors who were selling short on the same stock were wrong and it is increasing and all go to sell the stock to stop their losses, it can cause what is known as a, “short squeeze” which can cause the stock to climb even further. While you may determine whether a stock is overvalued or not it can be shown that even if a stock is deemed overvalued it may be many weeks or even months before its overvalue is corrected which wouldn't help the short selling investor who invests too early. As discussed, selling short is an extremely risky process, but can yield up to double the money originally invested if the company goes bankrupt.

The Filter System

The filter system is one that monitors stocks and deems them fit to buy and, in an uptrend, when they have moved up at least 5 percent from a low. Once the stock is purchased it is to be held until the stock has fallen 5 percent from the high, at which point it to be sold short or just sold, until it has moved up at least 5 percent from a low.

The Dow Theory

The Dow Theory is one involving when to buy and when to sell. The two most important terms in this theory are support, and resistance. When the market reaches a peak and starts to fall, the peak where its high was reached is now known as a resistance point. When the market starts to rise back to the resistance point, the lowest point of the valley just created is known as the support. As the market nears the resistance point the “test” will occur determining whether to sell or not. If the market rises past the resistance area the market will probably continue to rise, but if the market falls beyond the support area the market will most likely continue to fall and the stock should be sold

The Relative-Strength System

The Relative-Strength system has everything to do with the performance of the general market indices. The system employs following how stocks are performing against the general market indices and making decisions of whether to buy or sell short based on whether the stock in question has outperformed or underperformed

Price-Volume Systems

The Price-Volume system employs the buying of a stock when the stock is rising on an increasing or large volume because it is believed that it will keep rising, and selling when a stock is dropping on a large volume because it is believed that it will keep falling

The Hemline Indicator

One such indicator of how the market as a whole is performing that on the surface seems ridiculous but does have some correlation with how the market has performed is known as the hemline indicator and it is as the name suggests related to the hemlines on women's dresses. If the hemline is high the market is supposedly a bull market and doing well whereas if the dress hemline is long then the market is supposedly a bear market and doing poorly. As ridiculous as the indicator sounds there have been direct correlations with the hemline and the progression of the market dating back to the 1920's, although not a very reliable resource for future investments

The Firm-Foundation Theory

The Firm-Foundation Theory is a theory stating that every stock has an intrinsic value that is found through the conditions available and the predicted future improvement of the company. Once the intrinsic value has been calculated it is then compared to the market value and if below the market value the theory states that the stock should be bought because the fluctuation will be corrected. "Thanks to a very influential book, Benjamin Graham and David Dodd's *Security Analysis*, a whole generation of Wall Street security analysts was converted to the fold. Sound investment management, the practicing analysts learned, simply consisted of buying securities whose prices were temporarily below intrinsic value and selling

ones whose prices were temporarily too high”

The Castles-in-the-Air Theory

The theory came to the forefront in 1936 when it was backed by a successful inventor and economist named John Maynard Keynes. “It was his opinion that professional investors prefer to devote their energies not to estimating intrinsic values, but rather to analyzing how the crowd of investors is likely to behave in the future and how during periods of optimism they tend to build their hopes into castles in the air” Keynes claimed that while many others were spending countless hours using the firm-foundation theory he sat at his bed for a half an hour each morning and was able to amass millions of pounds. The Castles-in-the-Air theory is mainly about picking a stock in the anticipation that it can be sold for a higher price to others

CHAPTER 6

SIMULATION

Growth Investing

Fundamental analysis has been proven the best analysis for finding stocks that will grow and perform long term, and is a type of analysis very popular among a large percentage of professional brokers. Those who have used the art of fundamental analysis to amass great wealth are investors like billionaire Warren Buffet who have proven it as a powerful tool in the picking of stocks to invest. In this simulation there will be about 100,000 dollars allotted to spent somewhat evenly between ten stocks chosen and analyzed using fundamental analysis. The purchasing of each stock was made only after ample analysis of many different aspects of each promising growth stocks' company information. The first two pieces of data analyzed and one of the more important pieces of data analyzed was not only the price to earnings ratio (P/E), also known as trailing P/E, but the forward P/E because it is extremely useful to know not only the earnings per market price in the last year but the expected earnings per market price in the future. Another extremely useful statistic used in choosing the potential companies to invest in was the PSR or price to sales ratio because if the PSR is much higher than the competition that means they are not selling enough to justify their price while their competition is selling a similar product more efficiently and is probably not a worthy stock for purchasing. The balance sheet, income statement, and cash flow should all be examined and are central pieces of information to the fundamental analysis of stocks. If net income and net sales are going up by more than 10 percent the stock will have a great chance of success. Along with that data, a company's net worth needs to be determined and last but certainly not least the average growth rate over the

next five years is a key piece of information that needs to be determined, and reasonable because if a company is not expected to grow that much higher than the average, it isn't an ideal growth stock and shouldn't be chosen for the portfolio. If all of the pieces of data are found to be reasonably good the chance of the stock being a success will be substantially higher than it being a failure.

Below is an example of an income statement. The current year and previous year's total revenue and gross profit can be compared. The total revenue for the current year and the gross profit for this company compare very favorably to the previous year, and values such as those shown in the income statement below comply with those that would be good in the growth portfolio because it is showing that the company is in an upward trend of revenue. A large mistake that was made with a prevalent example being in the 1990s during the dot com craze people were investing in any company that had anything to do with the internet but they weren't researching the companies they were placing their money in and some companies that earned millions in public earnings from the stock market weren't even making a profit.

Income Statement

View: Annual Data Quarterly Data		All numbers in thousands		
PERIOD ENDING	31-Dec-05	31-Dec-04	31-Dec-03	
Total Revenue	3,810,449	2,776,749	2,222,466	
Cost of Revenue	2,557,291	2,111,185	1,738,598	
Gross Profit	1,253,158	665,564	483,868	
Operating Expenses				
Research Development	-	-	-	
Selling General and Administrative	309,306	271,175	237,780	
Non Recurring	-	-	2,992	
Others	261,851	280,397	242,152	
Total Operating Expenses	-	-	-	

Part of the Income Statement showing the total revenue and gross profit of a company

The last line of the Income Statement shown below displays the net income of the company which is a piece of data that should not be taken lightly because it shows whether the company's total revenue is actually increasing from last year. Even if a company has a higher net revenue and gross profit it does not tell the whole story and costs could be so high the company is not even turning a positive net income so that data should be examined along with the two pieces shown previously.

Operating Income or Loss	682,001	113,992	944
Income from Continuing Operations			
Total Other Income/Expenses Net	-	-	-
Earnings Before Interest And Taxes	682,001	113,992	944
Interest Expense	27,317	31,429	34,451
Income Before Tax	654,684	82,563	(33,507)
Income Tax Expense	64,339	(32,646)	(20,941)
Minority Interest	(9,484)	-	-
Net Income From Continuing Ops	580,861	115,209	(12,566)
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	83,373	4,768
Other Items	-	-	-
Net Income	580,861	198,582	(7,798)
Preferred Stock And Other Adjustments	-	-	-
Net Income Applicable To Common Shares	\$580,861	\$198,582	(\$7,798)

The other half of the Income Statement showing the net income of the company

The next piece of company data that needs to be examined before any stocks are to be purchased is the balance statement. The balance statement shows the total assets the total liabilities, and the total stockholder's equity. Below shows the total assets of a company and these are the types of values consistent with a healthy company because there is a steady increase in the assets over the years. If a company continued to stay at the same value or fall lower each year it might be a

cause for concern. No one piece of a data should be a reason to not invest in a company because very few have all the data in line with what is desired, but it lessens the leash the company is on with you as the investor, not much other data can be off.

Balance Sheet

View: [Annual Data](#) | [Quarterly Data](#) All numbers in thousands

PERIOD ENDING	31-Dec-05	31-Dec-04	31-Dec-03
Assets			
Current Assets			
Cash And Cash Equivalents	340,640	6,422	6,513
Short Term Investments	-	-	-
Net Receivables	452,347	302,335	327,567
Inventory	140,976	121,902	103,358
Other Current Assets	64,537	39,510	33,402
Total Current Assets	998,500	470,169	470,840
Long Term Investments	52,261	47,684	84,878
Property Plant and Equipment	3,534,763	3,182,580	2,686,458
Goodwill	-	-	-
Intangible Assets	-	-	375,049
Accumulated Amortization	-	-	-
Other Assets	134,900	140,170	292,663
Deferred Long Term Asset Charges	367,228	355,008	409,090
Total Assets	5,087,652	4,195,611	4,318,978
Liabilities			
Current Liabilities			
Accounts Payable	799,293	363,770	702,509
Short/Current Long Term Debt	4,629	8,945	122,090
Other Current Liabilities	-	332,770	-

Part of the Balance Sheet showing the total assets and some of the total liabilities data

The second part of the balance sheet shown below displays the total liabilities and the total stockholder equity. The total stockholder equity is more or less how the company's remaining assets are financed. As shown below there is a positive trend from the previous years which is a good sign. One positive piece about the equity is there is a large increase in the retained earnings

which there was a deficit of the previous year. As shown the balance statement is a good meter of where the company's money is and can shed light on their current financial situation.

Total Current Liabilities	803,922	705,485	824,599
Long Term Debt	438,367	425,760	441,912
Other Liabilities	2,699,220	2,403,984	2,700,157
Deferred Long Term Liability Charges	27,343	191,361	61,673
Minority Interest	93,444	-	-
Negative Goodwill	-	-	-
Total Liabilities	4,062,296	3,726,590	4,028,341
Stockholders' Equity			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	925	913	913
Retained Earnings	252,109	(277,406)	(425,470)
Treasury Stock	-	(7,054)	(15,880)
Capital Surplus	884,241	846,644	833,675
Other Stockholder Equity	(111,919)	(94,076)	(102,601)
Total Stockholder Equity	1,025,356	469,021	290,637
Net Tangible Assets	\$1,025,356	\$469,021	(\$84,412)

The other part of the balance statement showing the total liabilities and total stockholder equity .

The last piece of financial data that must be looked at in order to properly evaluate a company is the cash flow document. The shows one of the most important figures of the data, which is net income. If a company is not making money and is not showing an upward trend it is probably not a company that a buyer wants to put his money into. The document below is an example cash flow and as is shown in this case the net income is very promising and shows a substantial increase on the previous year's value, which is the other piece that must be noted. Not only should the company be making a positive net income but the net income should be around the vicinity of 10% higher than the previous years to show that the company is indeed growing and profiting more, because in a growth stock portfolio it is of the utmost importance that the companies considered are growing in productivity.

Cash Flow

View: [Annual Data](#) | [Quarterly Data](#) All numbers in thousands

PERIOD ENDING	31-Dec-05	31-Dec-04	31-Dec-03
Net Income	580,861	198,582	(7,798)
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	266,334	285,304	249,165
Adjustments To Net Income	(336,835)	(145,658)	(37,800)
Changes In Accounts Receivables	(156,900)	9,041	148,745
Changes In Liabilities	99,136	13,759	1,919
Changes In Inventories	(13,361)	(18,544)	27,044
Changes In Other Operating Activities	(30,149)	15,607	(148)
Total Cash Flow From Operating Activities	409,086	358,091	381,127
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(523,467)	(410,611)	(290,652)
Investments	3,996	(4,303)	-
Other Cashflows from Investing Activities	445,058	14,372	86,038
Total Cash Flows From Investing Activities	(74,413)	(400,542)	(204,614)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(51,321)	(50,471)	(45,613)
Sale Purchase of Stock	39,150	14,864	191,232
Net Borrowings	11,716	(112,951)	(136,218)
Other Cash Flows from Financing Activities	-	190,918	(190,918)
Total Cash Flows From Financing Activities	(455)	42,360	(181,517)
Effect Of Exchange Rate Changes	-	-	-
Change In Cash and Cash Equivalents	\$334,218	(\$91)	(\$5,004)

The Cash Flow document showing the net income of the company

Company Profiles and Data

UBS AG is a company specializing in the provision of financial services throughout the world. The company is not part of an index, and it belongs to the financial sector, and the foreignmoney center banks industry. The company was founded in Zurich, Switzerland in 1862, and today employs 69,569 and provides wealth and asset management, investment banking, and securities businesses.

The wealth management business offers not only estate planning, and corporate finance advice, but banking services as well. The asset management allows traditional and alternative investment solutions, to not only financial intermediaries, but also institutional investors. The banking and securities business involves equity, equity-linked, and equity derivative products to primary and secondary markets. Along with all of these services there is banking and securities services available for foundations, corporations, institutional investors, public entities, foundations, and worldwide institutions.

The first stock chosen for our growth investing portfolio is UBS AG a company responsible for giving worldwide financial services. There are many reasons for this stock being chosen as an ideal company for a growth portfolio. The first statistical ratios examined were the P/E and the forward P/E, and they were a reasonable 10.818, and 12.38 respectively. The PSR was found to be 2.58 in the last twelve months and although somewhat of a higher than desired number alone compared to the industry at a whole which has a PSR of 3.34 it is a reasonable number. The Income Statement numbers were extremely promising with the company earning a net income of \$10,664,846 earned in the 31-Dec-05 quarter whereas the previous year they had earned \$7,794,230 during the quarter meaning there was a 36.8% gain which is more than acceptable. When looking at the Balance Sheet the total stockholder equity decreased from \$46,553,245, to \$39,487,069, but the net tangible assets increased considerably, from \$20,121,100, to \$29,235,011. There were no values that were cause for concern, and although the total equity was down it was not because of a drop in any of the meaningful areas such as retained earnings or capital stock. The estimated growth percentage of the company for the next 5 years is a very respectable 17.1%. Although not perfect there is more than enough data to

support the probable success of this as an ideal growth stock.

Telefonica SA is a telecommunications provider for Spanish and Portuguese speaking markets. It is in 40 countries, and has 100 million clients, making it is the sixth largest telecommunication company. It is focused in Latin America. It has almost 5 billion shares held by 1.7 million stockholders. It has 20 subdivisions which are all listed on various stock markets.

The next stock chosen for our growth investment portfolio was Telefonica SA a company responsible for telecommunications in Latin America, and Spain. The P/E ratio, and the forward P/E ratio were a very good 13.90 and 11.31 respectively meaning that the ration showing that the price to earnings were predicted to be even better in the future twelve months. The PSR was a respectable 1.48, which was just a hair underneath the industry average of 1.49. The Income Statement was very good with a total revenue of \$42,584,138 from the previous years

\$36,520,289 a 16.6% increase, and a net income of \$3,517,437 which was an increase over the previous year's total of \$3,372,911 a 4.2% increase. The Balance Sheet was respectable with an increase in total assets from \$79,494,939 to \$86,715,547, an increase in total liabilities from

\$57,782,166 to \$64,455,921, and a total stockholders' equity increase of 2.5% from \$21,712,773 to \$22,259,627. The next five-year growth projection is extremely promising with a 16.2% projection, which is significantly above the S&P 500 average of 10.66%.

Banco Bilbao Arg is a banking company, which operates worldwide. It provides retail banking, asset management, private banking, and wholesale banking services. It manages mutual funds, pensions, and insurance brokerage. It offers these to individuals to medium sized entities. It also engages in corporate banking, institutional banking, and transaction services to corporate, government, and nongovernmental organizations.

The Banco Bilbao Vizcaya Argentina is responsible for retail banking, asset management, and private and wholesale banking throughout the world. The P/E and forward P/E ratios are very good at 13.75 and 10.68 respectively. The PSR is the company's only real hiccup at 3.81 while the industry average is 3.18, but as an investor it is important to understand that all of the numbers will never be exactly what is desired and as will be shown the income and balance statement values are excellent so I was willing to look past the poor PSR on this investment. The Income Statement was extremely good with a total revenue increase of 6.3% from \$22,019,504 to \$23,405,323, and a remarkable 76.5% increase in net income from \$2,393,239 to \$4,223,286. The Balance Sheet was as impressive as the Income Statement with an increase in the company's assets from \$369,123,854 to \$431,760,584, an increase in liabilities from \$344,533,438 to \$399,744,567, and an extremely impressive 30.2% increase in the stockholder's equity from \$24,590,416 to \$32,016,017. The estimated growth percentage for the company is a very good 15.6% when the average for the S&P 500 as previously stated is 10.66%.

France Telecom AD engages in fixed and mobile communications, Internet and multimedia, and data transmission with individuals, businesses, and other telecommunications operators. It has 4 different branches, personal, home, and enterprise communication, and directories. The home communication provides telephones, Internet services, and operators. The enterprise communications section services corporations and offers fixed-line to mobile convergent, mobility solutions, integration services, consulting, project management, and critical application management. Directories sell advertising space, marketing databases, create Internet sites, and distribute directories.

France Telecom is a company responsible for telecommunications all over the world. They were an ideal growth stock because although not a very good net income percentage the rest of the necessary values of a good growth stock are exhibited. The P/E and forward P/E ratio are a very good 8.32 and 9.73 respectively. The PSR of this stock was very good with an ideal sub-1 value of 0.97, while the average industry PSR is 1.49. The Income Statement was respectable with a good 11.1% increase in the total revenue from \$57,914,140 to \$64,341,011, but as discussed earlier there was a 65.4% drop in the net income from \$6,677,813 to \$4,037,260. The Balance Sheet was extremely good though and made up for the somewhat poor Income Statement with total assets increasing from \$98,827,357 to \$114,737,854, and total liabilities remarkably decreasing from \$116,041,748 to \$109,240,686. There was a very large increase in the stockholder's equity from -\$17,214,391 to \$5,497,168. The prediction for the next five years of growth in the company is 15.6%, which solidified France Telecom as a company that was worthy of an investment.

Southern Copper Corporation is a mining company operating in Mexico and Peru. It mines and produces copper, molybdenum, zinc, silver, gold, lead, and sulfuric acid. It is based in Arizona, and is a subsidiary of Americas Mining Corporation.

Southern Copper Corporation is involved in the mining and processing of copper, molybdenum, zinc, silver, gold, and lead. Their only blemish was they had a relatively high PSR as will be shown but it was not that far above the industry average and their Income Statement, and Balance Sheet values are excellent. The P/E and forward P/E ratios are 8.40 and 6.52 respectively. The PSR was a somewhat high 2.94 but compared to the industry of 2.05 it was not too bad. The Income Statement was extremely impressive with the total revenue increased an,

amazing 140% from \$1,715,919 to \$4,112,629, and the net income increased 134.6% from, \$596,773 to \$1,400,148. The Balance Sheet was equally impressive with total assets increasing from \$2,597,130 to \$5,687,574, the liabilities increasing from \$876,231 to \$2,361,497, and the total stockholders' equity increasing 93.3% from \$1,720,899 to \$3,326,077. The predicted growth over the next five years was a very good 17% Southern Copper Corporation.

Legg Mason Inc is an asset management company. It provides investment management for companies and individuals and company sponsored mutual funds. The Mutual Funds/Managed Services division provides asset management to retail separately managed account programs. It has an Institutional division which provides equity and fixed income management services, manages private investments, and operates mutual funds businesses. There is also a wealth management division which works for high-net-worth individuals, endowments, foundations, and institutions, offering them asset management.

Legg Mason Incorporated is an asset and investment management company with their business worldwide. They as some of the others chosen had a high PSR but the rest of the values supported that of a very good growth company so it was chosen despite the high PSR. The P/E and forward P/E ratios of the Legg Mason were 10.51 and 14.21 respectively. The Income Statement was very good with large percentage increases of the total revenue and the net income. The total revenue increased 24.2% from \$2,004,267 to \$2,489,552, and the net income increased 37.2% from \$297,764 to \$408,431. The Balance Sheet was equally

impressive with the total assets increasing from \$7,262,981 to \$8,219,472, the total liabilities increasing only slightly from \$5,703,371 to \$5,926,326, and the total stockholder equity increasing a very impressive 47% from \$1,559,610 to \$2,293,146. The company shows a promising growth of 15% when the industry percentage is 12.32%.

XTO Energy Inc is an oil and gas company, which is involved in the acquisition, development, exploitation, and exploration of the oil and gas in the US. It is mainly focused in the eastern region of America. It has properties in Texas, Louisiana, and the Rocky Mountains.

XTO Energy Incorporated is involved in the exploration of oil and gas property in the United States. They are an ideal company for growth because they are impressive in every aspect of information necessary to determine the ability to growth. The P/E and future P/E ratio are

10.72 and 10.12 respectively. The PSR is 3.72 which normally would be considered very high is actually under the industry average of 4.04 so it is actually a respectable number. The Income

Sheet is extremely impressive with a total revenue increase of 80.7% from \$1,947,601 to \$3,519,000 and a net income increase of 126.8% from \$507,882 to \$1,152,000. The Balance Sheet was very impressive with a total asset increase from \$6,110,372 to \$9,857,000, a total liabilities increase from \$3,510,999 to \$5,648,000, and a total stockholders' equity increase of 61.9% from \$2,599,373 to \$4,209,000. The growth prediction of the company is a remarkable 20% over the next five years when the industry average is 7.46%.

Cons Energy Inc.

Cons Energy Inc produces electric power for the United States. It mines, prepares, and markets steam coal to power generators, and it sells metallurgical coal to metal and cokeproducers. In addition, it markets coal bed methane gas to gas wholesalers.

consul Energy Incorporated is responsible for the production of multifuel energy and the provision of services of electric generation and other sources of power. The P/E and forward P/E ratio are 13.39 and 13.64 respectively. The PSR of 2.24 which is in itself somewhat high as the XTO Energy Corporation PSR was, but it is below the industry average of 2.78 so therefore it is a respectable number. The Income Statement was very good with a total revenue increase of 37.2% from \$2,776,749 to \$3,810,449, and a net income increase of 192.5% from \$198,582 to \$580,861. The Balance Sheet was very good with the total assets increasing from \$4,195,611 to \$5,087,652, the total liabilities increasing from \$3,726,590 to \$4,062,296, and a total stockholder equity increase of 118.6% from \$469,021 to \$1,025,356. The growth of the company is a very good 35% and with the average industry 20% this is a very promising number.

Centex Corporation

Centex Cp is involved in home building, construction services, and financial services. It purchases land and develops them, and then sells the houses to families. It also offers home financing, subprime home equity lending, sells title insurance, and mortgages the homes they sell. It also is engaged in construction for both private and governmental purposes, including

education, hospitals, military, airports, offices, correctional institutions, hotels, and resorts.

The Centex Corporation is involved in home building, financial services, and construction services. The P/E and forward P/E ratios are very good with values of 4.90 and 5.70 respectively. The PSR ratio of the company is 0.41 which is an ideal value because they are below 1 and they are also below the industry average of 0.49. The Income Statement was respectable with an increase of 12% in total revenue from \$12,859,695 to \$14,399,669, and a net income increase of 27.5% from \$1,011,364 to \$1,289,313. The Balance Sheet is impressive with the total assets increasing from \$20,011,079 to \$21,364,999, the total liabilities increasing from \$15,730,322 to \$16,353,341, and the total stockholder equity increasing 17.1% from \$4,280,757 to \$5,011,658. The growth of the company is a respectable 15% while the industry average is 12.47%.

Mitsui & Co. Ltd.

Mitsui & Co. Ltd is a company engages in the sale, distribution, purchasing, marketing, and the supplying of various products. These products include iron, steel, nonferrous metals, machinery, electronics, chemicals, and energy-related commodities worldwide. Mitsui & Co., Ltd. is not part of an index, and in the conglomerates sector, and in the conglomerates industry.

The Mitsui & Co. Ltd. are responsible for the sale, distribution, purchasing, marketing, and supply of various products. The P/E and forward P/E ratio are 13.43 and 11.98 respectively.

The PSR is an extremely good 0.67 when the industry PSR is 1.57 so not only is the PSR below 1, but it is also substantially below the industry average. The Income Statement was extremely impressive with a total revenue increase of an astronomical 493.4% from

\$4,829,000 to

\$28,657,000, and a net income increase of 149.2% from \$264,000 to \$658,000. The Balance

Sheet was equally as impressive with the total assets increasing from \$55,428,000

to

\$64,577,000, the total liabilities increasing from \$48,122,000 to \$55,315,000, and the total stockholder

equity increase of 26.8% from \$7,306,000 to \$9,262,000. The growth of the company is a very good

16.3% therefore all the values show that the company is a very good choice for a growth portfolio.

Growth Portfolio

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Assets
5/26/2006	BBV	Buy	20.7	483	9998.1	0		
5/26/2006	CNX	Buy	87.8	114	10009.2	0		
5/26/2006	CTX	Buy	50.11	200	10022	0		
5/26/2006	FTE	Buy	22.65	441	9988.65	0		
5/26/2006	LM	Buy	98.95	101	9993.95	0		
5/26/2006	MITSY	Buy	284.4	35	9954	0		
5/26/2006	PCU	Buy	88.59	113	10010.67	0		
5/26/2006	TEF	Buy	48.3	207	9998.1	0		
5/26/2006	UBS	Buy	114.18	88	10047.84	0		
5/26/2006	XTO	Buy	40.68	246	10007.28	0		
TOTAL					100029.79	0		

Table 4.1 – Initial Growth Portfolio

Week 1 Performance:

In the first week my investments increased their value by a total of \$647.31 and bring their total value to \$100,677.10, when my original amount investment was \$100,029.79. The increase was a 1.0065% increase on the original investment. In the same one-week time frame the S&P 500 went from a value of \$1280.16 to \$1288.22, which was a percentage increase of 1.0063%, so the S&P and my stocks performed remarkably similar through the first week of monitoring. Below is a detailed list of the individual stocks in my portfolio, and which ones increased against my original purchasing price, and which ones declined from that price along with the total profit against the original purchase price.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Assets
6/02/2006	BBV	Hold	21.03	483	10157.49	159.39		
6/02/2006	CNX	Hold	45.03	228	10328.40	319.20		
6/02/2006	CTX	Hold	47.59	200	9518.00	504.00		
6/02/2006	FTE	Hold	23.46	441	10345.86	357.21		
6/02/2006	LM	Hold	95.80	101	9675.80	318.15		
6/02/2006	MITSY	Hold	286.00	35	10010.00	56.00		
6/02/2006	PCU	Hold	86.96	113	9826.48	184.19		
6/02/2006	TEF	Hold	49.77	207	10302.39	304.29		
6/02/2006	UBS	Hold	115.41	88	10156.08	108.24		
6/02/2006	XTO	Hold	42.10	246	10356.60	349.32		
TOTAL					100,677.10	647.31		

Week 1 Growth Portfolio

Week 2 Performance:

The second week of my investments went extremely poorly declining a very large amount from the previous weeks, \$100,677.10 to a very poor \$94,258.89 which constitutes a fall of a staggering 6.375%, and a fall of 5.769% on my original investment amount of \$100,029.79. Ordinarily numbers like this would cause great concern but the S&P also had a poor showing going from \$1,288.22 to \$1,252.30 which is a fall of 2.788% and 2.176%.

investment, and although this is nothing compared to the poor performance of my stocks the S&P 500, is 500 companies not 10 and almost all are contained in the materials and minerals, telecommunications, energy, and financial management industries, which may have performed much poorer than other industries, and since the S&P 500 contains companies from many more industries it sustained a lesser fall but still a very large fall so my stocks stayed in a similar trend to the S&P. Below is a detailed description of each of my 10 individual stocks and how much money they lost against the original purchase price along with total losses, and total value of the 10 stocks .

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Assets
6/09/2006	BBV	Hold	19.19	483	9268.77	729.33		
6/09/2006	CNX	Hold	39.26	228	8951.28	1057.92		
6/09/2006	CTX	Hold	47.13	200	9426.00	596.00		
6/09/2006	FTE	Hold	22.32	441	9843.12	145.53		
6/09/2006	LM	Hold	97.08	101	9805.08	188.87		
6/09/2006	MITSY	Hold	267.10	35	9348.50	605.50		
6/09/2006	PCU	Hold	76.90	113	8689.70	1320.97		
6/09/2006	TEF	Hold	48.90	207	10122.30	124.20		
6/09/2006	UBS	Hold	106.31	88	9355.28	692.56		
6/09/2006	XTO	Hold	38.41	246	9448.86	558.42		
TOTAL					94,258.89	5,770.90		

Week 2 Growth Portfolio

Week 3 Performance:

The third week of my investment portfolio although still down from my initial investment posted an increase from last week's dismal showing. My portfolio went from a value of \$94,258.89, to a slightly better \$95,229.80, which is a respectable 1.03% increase on the previous weeks posting along with a fall of 4.799% on my original investment amount of \$100,029.79. These numbers are somewhat encouraging because the amount did increase although me

portfolio is still in the red because of the overall poor showing of the market. The S&P 500 for this week went from \$1,252.30 to an even worse \$1251.54, which underlies the optimism for my portfolio because while I posted a 1.03% increase on my portfolio, the S&P 500 posted a fall of 0.0607% percent, and a fall of 2.236% on the original investment. So while being outperformed in the previous week my portfolio outperformed the S&P 500 in the third week of the simulation. Below is a detailed description of each of my 10 individual stocks and how much money they lost against the original purchase price along with total losses, and total value of the 10 stocks.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Assets
6/16/2006	BBV	Hold	19.28	483	9312.24	685.86		
6/16/2006	CNX	Hold	38.94	228	8878.32	1130.88		
6/16/2006	CTX	Hold	49.15	200	9860.00	192.00		
6/16/2006	FTE	Hold	22.08	441	9737.28	251.37		
6/16/2006	LM	Hold	102.45	101	10347.45	353.50		
6/16/2006	MITSY	Hold	272.22	35	9527.70	426.30		
6/16/2006	PCU	Hold	77.41	113	8747.33	1263.34		
6/16/2006	TEF	Hold	48.09	207	9954.63	43.47		
6/16/2006	UBS	Hold	102.84	88	9049.92	997.92		
6/16/2006	XTO	Hold	40.02	246	9844.92	162.36		
TOTAL					95,229.80	4,799.99		

Week 3 Growth Portfolio

Week 4 Performance:

The fourth week of my investment portfolio although still down from my initial investment posted another increase against the previous weeks close. My portfolio went from a value of \$95,229.80, to a better \$96,047.20, which is an increase of 0.851% on the previous weeks posting along with a fall of 3.981% on my original investment amount of \$100,029.79. These numbers are even more encouraging than they were in the previous week because the

amount increased again and although my portfolio is still in the red because of the overall poor showing of the market, the S&P 500 for this week went down again from \$1,251.54 to an even lower \$1,244.50, which again underlies the optimism for my portfolio because while I posted yet another increase on my portfolio of 0.851%, the S&P 500 posted a fall of 0.563% percent, and a fall of 2.786% on the original investment. So for the second week in a row my portfolio outperformed the S&P 500. Below is a detailed description of each of my 10 individual stocks and how much money they lost against the original purchase price along with total losses, and total value of the 10 stocks.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Assets
6/23/2006	BBV	Hold	19.28	483	9389.52	608.58		
6/23/2006	CNX	Hold	38.94	228	9760.68	248.52		
6/23/2006	CTX	Hold	49.15	200	9860.00	164.00		
6/23/2006	FTE	Hold	22.08	441	9402.12	586.53		
6/23/2006	LM	Hold	102.45	101	10190.90	196.95		
6/23/2006	MITSY	Hold	272.22	35	9415.00	539.00		
6/23/2006	PCU	Hold	77.41	113	8686.31	1324.36		
6/23/2006	TEF	Hold	48.09	207	10000.17	2.07		
6/23/2006	UBS	Hold	102.84	88	9270.80	777.04		
6/23/2006	XTO	Hold	40.02	246	10073.70	66.42		
TOTAL					96,047.20	3,982.59		

Week 4 Growth Portfolio

Week 5 Performance:

The fifth week of my investment portfolio increased dramatically and now is over 1000 dollars above the original investment. My portfolio went from a value of \$96,047.20, to a much better \$101,142.63, which is an extremely good increase of 5.305% on the previous weeks posting along with an increase of 1.113% increase on my original investment amount of \$100,029.79. These numbers are not only very good on their own but compared to the S&P

500 they are extremely promising due to the fact that the S&P 500 is still below where it was when I

made my original investment in the five stocks. The S&P 500 also had a big increase this week going from a very poor 1,244.50 to a more respectable 1,270.20, which is a 2.07% increase, and a fall of a more respectable 0.778% on the original investment price of 1,280.16. So my growth portfolio for the third straight week and four out of five has outperformed the S&P 500 and is now 1.891% above where it would have been had I invested in the S&P 500 at the start of the simulation. Below is a detailed description of each of my 10 individual stocks and how much money they lost against the original purchase price along with total losses, and total value of the 10 stocks.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Assets
6/30/2006	BBV	Hold	20.60	483	9949.80	48.30		
6/30/2006	CNX	Hold	46.72	228	10652.16	642.96		
6/30/2006	CTX	Hold	50.30	200	10060.00	38.00		
6/30/2006	FTE	Hold	21.86	441	9640.26	348.39		
6/30/2006	LM	Hold	99.52	101	10051.52	57.57		
6/30/2006	MITSY	Hold	282.20	35	9877.00	77.00		
6/30/2006	PCU	Hold	89.13	113	10071.69	61.02		
6/30/2006	TEF	Hold	49.74	207	10296.18	298.08		
6/30/2006	UBS	Hold	109.70	88	9653.60	394.24		
6/30/2006	XTO	Hold	44.27	246	10890.42	883.14		
TOTAL					101,142.63	1,112.14		

Week 5 Growth Portfolio

Week 6 Performance:

The sixth week of my investment portfolio increased slightly and now is at a respectable \$1,337.45 dollars above the original investment. My portfolio went from a value of \$101,142.63, to a slightly improved, \$101,367.24 which is a minor increase of 0.222% on the previous weeks posting along with an increase of moderately good 1.319% increase on my original investment amount of \$100,029.79. These numbers once again although decent on their own compare very favorably to the S&P 500 due to the fact that the S&P 500 fell lower this

week than last while mine rose. The S&P 500 also had a slight fall this week going from a respectable \$1,270.20, to a worse \$1,265.48, which is a 0.372% decrease, and a total fall from the original investment of 1.147%. So, my growth portfolio for the fourth straight week and fifth out of six has outperformed the S&P 500 and is now 2.466% above where it would have been had I invested in the S&P 500 at the start of the simulation. Below is a detailed description of each of my 10 individual stocks and how much money they lost against the original purchase price along with total losses, and total value of the 10 stocks.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Assets
7/7/2006	BBV	Hold	21.28	483	10278.24	280.14		
7/7/2006	CNX	Hold	45.24	228	10314.72	305.52		
7/7/2006	CTX	Hold	50.97	200	10194.00	172.00		
7/7/2006	FTE	Hold	22.12	441	9754.92	233.73		
7/7/2006	LM	Hold	97.33	101	9830.33	163.62		
7/7/2006	MITSY	Hold	284.05	35	9941.75	12.25		
7/7/2006	PCU	Hold	92.98	113	10506.74	496.07		
7/7/2006	TEF	Hold	50.10	207	10370.70	372.60		
7/7/2006	UBS	Hold	108.06	88	9509.28	538.56		
7/7/2006	XTO	Hold	43.36	246	10666.56	659.28		
TOTAL					101,367.24	1,337.45		

Week 6 Growth Portfolio

Chapter - 7

SELLING SHORT

In this selling short simulation, I am buying stocks which I expect to drop in price. I spent close to \$50,000 split up equally among 5 stocks. In order to select these stocks, I looked at previous market trends, and information about the companies found in the news which would indicate that the value of the stocks would decline. I looked at the P/E and if it was between 0 and 13 it indicated that the stock would most likely decline. In addition, I looked at the previous few months to determine the most likely movement of the market value. Several companies had recent problems which were announced in the news, which often influences the buyers to sell quickly, which is what is required of this simulation. This was run over the course of a single week, which is shorter than the usual simulations.

Chapter – 8

CONCLUSION

We have gained invaluable experience for the future during this project. There is a lot of information to digest and investment results are very heavily influenced by experience, determination, and strategy. During the simulation period the market was at its low for the year, which made it tougher to succeed. However, our goal was to outperform the market and gain the experience to be a successful investor in the future which we feel we accomplished.