
Professional Certificate in Investments for Teens

Market Analysis

Market analysis is an essential component of investing, as it allows individuals to make informed decisions about where to invest their money. In this explanation of key terms and vocabulary for market analysis in the course Professional Certificate in Investments for Teens, we will cover a wide range of concepts, including different types of markets, fundamental and technical analysis, and various tools and indicators used to evaluate market trends.

Markets: A market is a location or platform where buyers and sellers come together to exchange goods or services. There are several types of markets, including:

- * **Stock markets:** These markets deal with the buying and selling of shares in publicly traded companies. Examples include the New York Stock Exchange (NYSE) and the NASDAQ.
- * **Bond markets:** These markets deal with the buying and selling of debt securities, such as government or corporate bonds.
- * **Commodity markets:** These markets deal with the buying and selling of physical goods, such as oil, gold, and agricultural products.
- * **Forex markets:** These markets deal with the buying and selling of different currencies.

Fundamental analysis: This type of market analysis involves evaluating a company's financial statements, industry position, and other qualitative and quantitative factors to determine its intrinsic value. This information is then used to make investment decisions. Some key terms and concepts related to fundamental analysis include:

- * **Earnings per share (EPS):** This is a company's profit divided by the number of outstanding shares of its stock. It is used to measure a company's profitability.
- * **Price-to-earnings (P/E) ratio:** This is a valuation ratio of a company's current share price compared to its per-share earnings. A high P/E ratio could indicate that a stock is overvalued, while a low P/E ratio could indicate that it is undervalued.
- * **Dividend yield:** This is a financial ratio that shows how much a company pays out in dividends each year relative to its stock price. It is used to measure a company's dividend payment relative to the price of its stock.
- * **Return on equity (ROE):** This is a measure of a company's profitability that reveals how much profit a company generates with the money shareholders have invested. ROE is calculated by dividing net income by shareholder's equity.

Technical analysis: This type of market analysis involves evaluating statistical trends gathered from trading activity, such as price movement and volume. Technical analysts use charts and other technical tools to identify patterns and trends in the market, which are then used to make investment decisions. Some key terms and concepts related to technical analysis include:

- * **Trend lines:** These are diagonal lines drawn on charts to show the direction of a security's price movement.

* Support and resistance levels: Support levels are prices at which a security tends to stop falling, while resistance levels are prices at which a security tends to stop rising. These levels are used to identify potential buy and sell points.

* Moving averages: These are averages of a security's price over a specific period of time. They are used to smooth out price data to form a trend following indicator. They do not predict price direction, but rather define the current direction with a lag. The two most common types are the Simple Moving Average (SMA) and the Exponential Moving Average (EMA).

* Relative Strength Index (RSI): This is a momentum oscillator that measures the speed and change of price movements. It is typically used to identify overbought or oversold conditions in a security.

Market indicators: Market indicators are statistical measures used to analyze the overall direction and health of the market. Some common market indicators include:

* Dow Jones Industrial Average (DJIA): This is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

* S&P 500: This is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States.

* NASDAQ Composite: This is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

* VIX: This is a measure of the expected volatility of the S&P 500 index, calculated by the Chicago Board Options Exchange (CBOE).

Challenges:

1. Identify a company you are interested in investing in and research its financial statements, industry position, and other qualitative and quantitative factors to perform a fundamental analysis.
2. Use a charting tool to perform a technical analysis on a security of your choice. Identify trend lines, support and resistance levels, moving averages, and other technical indicators.
3. Research the current state of the market using various market indicators. What is the overall direction and health of the market?

In conclusion, market analysis is a crucial aspect of investing and involves evaluating various types of markets, fundamental and technical analysis, and market indicators to make informed investment decisions. By understanding key terms and concepts, such as earnings per share, support and resistance levels, and the Dow Jones Industrial Average, investors can better analyze the market and make strategic investment choices.