

# Activity 3

## PLAYING THE MARKET

**Scenario:** You have received a \$5,000 inheritance that you must use to purchase stock. You must keep the money in the market for a minimum of one month with the goal of earning as much of a return as you possibly can on your investments.



Using what you have learned about stocks, research and choose a set of one to four stocks to purchase with your \$5,000. You also need to research and choose a method for making your purchases. Over the next 30 days, you will track each stock's activity and hypothetically buy or sell as needed. At the end of the month, study your investment choices and create a chart or graph illustrating the gains and losses on your investments.

**Step 1.** Determine how you will purchase your stock. Will you use a stockbroker or online brokerage? What firm seems to best fit your needs and budget? Explain why, based on what you learned from researching each option.

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**Step 2.** Using what you have learned about stocks, select one to four stocks to buy. Record your findings about each stock in this chart. Create your own chart based on this template to track your investment decisions over the 30-day period. If you decide to sell a stock, explain why in the "Reason to Sell this Stock" column. If you add new stocks to your portfolio, update your chart accordingly.

Name of Company	Ticker Symbol	Market Sector	Past Performance	Annual Dividend	Reason to Purchase this Stock	Reason to Sell this Stock
				\$		
				\$		
				\$		
				\$		
				\$		

**Step 3.** How many stocks did you choose? Were they in the same or different industries? Explain whether you chose to diversify and why or why not.

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**Step 4.** Create an investment journal that you can use to track the activity of each stock, and your overall stock portfolio. Keep a daily record of the last price of each stock and its change from day to day. You can use these templates as a guide to get you started. Note that the portfolio template includes space to add new stocks as you sell earlier investments.

STOCK PORTFOLIO						
	Stock 1	Stock 2	Stock 3	Stock 4	Stock 5	Stock 6
Stock Name/Ticker Symbol						
Date of Purchase						
Purchase Price per share						
Number of Shares Purchased						
Transaction Costs						
Date Sold						
Sale Price per share						
Number of Shares Sold						
Transaction Costs						
Profit/Losses						

DAILY STOCK TRACKER										
Company/ Ticker Symbol	Day	1	2	3	4	5	6	7	8	etc.
	Last price									
	Percentage change									
	Last price									
	Percentage change									
	Last price									
	Percentage change									
	Last price									
	Percentage change									
	Last price									
	Percentage change									

**Step 5.** After 30 days, answer the questions below and be prepared to share your ideas in a class discussion.

1. How many times did you buy/sell during the 30-day period? \_\_\_\_\_
2. How much did you earn or lose over the course of the month? Be sure to deduct any transaction costs for buying and selling. \$ \_\_\_\_\_
3. Do you think the stocks you purchased were good investments? Why or why not?

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4. Would you choose the same investment strategy if you could re-do the project? Why or why not?

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5. What are the advantages of investing in the stock market?

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6. What are the disadvantages of investing in the stock market?

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7. Do you think you will buy individual stocks in the future based on this experience and what you have learned about investing in the stock market? Why or why not?

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