

Lesson 2 (Oct. 18): Trends in the Market and How to Pick Stocks

- Bear Markets Vs Bull Markets
 - *Bear Markets*: overall prices of stocks and other assets are falling by 20% or more
 - More selling than buying
 - Uncertainty and economic downturn
 - *Bull Markets*: overall prices of stocks and other assets are rising by 20% or more
 - More buying than selling
 - Confidence and economic growth
- Patterns in the Market
 - *Cup & Handle*
 - Previous dip that later recovered and grew
 - Forming the shape of a cup (dip) and handle (recovery & extension)
 - Used to spot opportunities to 'go long'
 - *Head & Shoulders*
 - Pattern with 3 peaks (with the middle being the highest)
 - After long bullish trends, the pattern rises to a peak but declines
 - Later rises and dips back down again (this occurs twice), then returns where the pattern began (bull)
 - *Wedge*
 - Rising wedge: occurs when a security's price has been rising over time; overall increase (bear)
 - Falling wedge: occurs when a security's price has been falling over time; overall decline (bull)
- Assessing today's market trends
 - *Stock market indices*:
 - Help understand the overall performance of the market or the segment the index focuses on
 - Example: S&P 500 - 500 largest companies on NYSE & NASDAQ
 - *Top market sectors*:
 - 11 main sectors that make up the market, who generally experience similar changes
- Picking stocks
 1. *Determine your goals & risk tolerance*
 2. *Know what sector to invest in (diversify)*
 - Best to diversify your portfolio: invest in different companies from all different sectors to lower your risk
 - Start by looking at your interests and the companies you already interact with
 3. *Research and stay aware of the news*
 - Check the news to see how the economy & specific stocks are performing

- Resources: CNBC (<https://www.cnbc.com/>) and CBC (<https://www.cbc.ca/>)
4. *Look into the history*
 - Understand the company's financial position and prior performance
 5. See if the company offers dividends
 - *Dividends*: a portion of the companies earning that is given out to shareholders