

## FREC 150

### Assignment 2

#### MONITORING THE ECONOMY VIA THE STOCK MARKET

**Starting Date, Ending Date and Report Due Date will be announced in class.**

The stock market(s) provide an interesting way to monitor activity in the United States' and world economies. This assignment requires you to follow throughout the semester a stock of your choice, a stock mutual fund of your choice, and three indexes of activity in the financial markets.

The recommended source of the data for this assignment is the Web and the Wall Street Journal (available in Morris Library and the Agricultural Library in Townsend Hall). **Keep up to date.** Stock prices, indexes and company information are available from a variety of sites on the World Wide Web, including,

CNNMONEY – [www.cnn.com](http://www.cnn.com)      Morningstar – [www.morningstar.com](http://www.morningstar.com)  
Yahoo! Finance – [www.yahoo.com](http://www.yahoo.com)

Daily data should be kept in a notebook and/or a spreadsheet, and be kept up to date. The required graphs are easy to do in a spreadsheet if you are familiar with one. Calculations and graphs may be done by hand (graphs on graph paper). Also, there are Web sites where some of the required charts can be created (BigCharts.com). Explanations must be word-processed. The entire report must be in a binder.

1. Keep a daily (Monday-Friday) record (or log) of the following:
  - (a) The daily closing price of the stock of one company of your choice.
  - (b) The closing Dow-Jones 30 Industrials Average (DJIA), Standard and Poor's 500 (S and P 500) and NASDAQ indexes reflecting general stock market trends.
  - (c) The net asset value (NAV) per share of a mutual fund (**a growth fund with at least 80% U. S. companies**) of your choice. This is listed in dollars and cents.
  - (d) A log of any major changes in the economy that might affect the stock price, DJIA, S and P 500, NASDAQ or NAV of the mutual fund. The minimum number of entries in the log is four (4) per week! *For this log, you may cite your reference(s) at the end of the log and not each individual entry.*
2. Write a discussion of the company you decide to follow (major products, major markets, sales, number of employees, etc). Obtain a prospectus of your mutual fund. Write a discussion of what companies it invests in, what its objectives are and why you chose it.

3. Using the data collected, construct the following graphs:
  - (a) Plot the DJIA, the S and P 500 and the NASDAQ per day from the starting date to the ending date (index on the y axis and date on the x axis). **Do the three market indexes on separate graphs.**
  - (b) Plot the price of the stock per day from the starting date to the ending date (price on the y axis and date on the x axis).
  - (c) Plot the mutual fund's NAV per share from the starting date to the ending date (price on the y axis and date on the x axis).
  
4. Construct an index (this process will be explained in class) for each of the following from the starting date to the ending date (use the starting date as the base) to show how they changed: the DJIA, the S and P 500, the NASDAQ and the NAV per share of the mutual fund. Plot all five of these indexes (index on the y axis and date on the x axis) on the same graph.

Turn in your **bound report, organized and labeled** as follows:

**Section 1: The discussion of your company, the discussion of your mutual fund and the prospectus of your mutual fund. See # 2 above. (6)**

**Section 2: List of prices (values) for your stock, mutual fund, the DJIA, S and P 500 and NASDAQ. (6)**

**Section 3: Your daily log of significant changes and/or occurrences in the economy that have affected your stock, your mutual fund and/or the stock market (i.e., the indexes). ! *For this log, you may cite your reference(s) at the end of the log and not each individual entry.* (6)**

**Section 4: Graphs (5) of prices (values) for your stock, mutual fund, the DJIA, S and P 500 and NASDAQ (each on separate graph). (6)**

**Section 5: Indexes (5) and graph (1) of indexes for your stock, mutual fund, the DJIA, S and P 500 and NASDAQ. (6)**

**Section 6: Based on your daily log of changes and/or occurrences in the economy, a summary discussion of the reasons (at least 5) for the patterns in the indexes (and graphs). (10)**

**Section 7: List of References**

**Remember, all quoted or paraphrased material, including material from Web pages, must be referenced correctly.**

## Sample Calculation of an Index

<u>Day</u>	<u>Stock Price</u>	<u>Index</u>	<u>Formula</u>
1	\$40.00	100	$= (40/40) * 100$
2	\$44.00	110	$= (44/40) * 100$
3	\$55.00	138	$= (55/40) * 100$
4	\$60.00	150	$= (60/40) * 100$
5	\$80.00	200	$= (80/40) * 100$