

Maryland Fall 2022 Official Essays

Maryland – 6-8, State

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Research is Key

Research finds answers to the unknown, by filling the gaps in our knowledge and changing the way we work. Without it, we cannot move forward with just prior knowledge, as things are always changing. It is wise to conduct detailed research before arriving at any decision. This also applies to the Stock Market Game when developing an investment portfolio and successfully investing long term.

Without a doubt, trading stocks is a complicated process and research is an essential aspect of the trading process. It is important to first find basic information on the company itself such as its management, records, and recovery in the market, which should be on the company's official website.

Competition is another major thing to research as every company is not always the only participant in its field. It's helpful to know how a company's market value, growth rate, age, and stock compares to its competition. Research helps me find the company's performance in the market. A company's earnings, market value, and current net worth are shown through quarterly and annual reports which can be found in documents that companies are required to file with the U.S. Securities and Exchange Commission (SEC). While no one can know for sure if a stock will go up in value, taking the time to evaluate the past few years of the company's growth can give some insight into the possibility.

In particular, research helps decide which of the three main types of investments (stocks, bonds, and mutual funds), to use depending on the situation and company I am investing in. Stocks are a great way to build long-term wealth as you're purchasing a share of ownership in a public traded company, but the value of your investments can go down even if the company is doing well. Stocks are what I invested in the most in my Stock Market Game portfolio. Bonds however are a much more safe and reliable type of investment. By waiting for a bond to reach its peak along with the interest you get with it, you can get the full value of it although you are usually returned less compared to stocks. Mutual funds offer advantages for investors such as diversification, and professional management, and you can easily find what investing methods work with your goals. The price for mutual funds is usually higher compared with other types of investments but they may be less overall compared to what you'd pay as an investor individually.

In addition, while doing research I look out for bear markets when investing in stocks as they can be a fantastic buying opportunity when high-quality stocks are a fraction of their price.

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Although there's a chance your investments will decrease short term since it can take months or even years for a market to fully recover, it should eventually rebound, and you are much more likely to see positive average returns long term. Bull markets are when investment prices are on the rise for a period of time and are another thing to look out for. To benefit from it I buy stocks early in order to take advantage of rising prices and sell them when they have reached their peak. Bonds also are a great investment during unsteady periods in the stock market because their prices usually move in the opposite direction of stock prices. Bonds are a key component to my portfolio, and adding high-quality, short-term bonds to it can help ease the damage of a bear market.

Out of all the websites I use for research during the Stock Market Games Yahoo! Finance is by far the one I most used. I rely on many of their free features for accurate information. Some things I pay attention to on this site are a company's price per share, earnings per share (EPS), market cap, P/E ratio, dividend, and beta. I also read things like the company's profile, news on the company, and the sustainability risk for the company. The graph Yahoo! Finance provides is also helpful as you can look at a company's price per share and other events short-term, mid-term, or long-term. I looked at these when I invested in The Walt Disney Company. I bought 200 shares of stocks for a price of \$106.17. When researching the movies and entertainment industry and comparing Disney to other companies it was a great option. Also, with Yahoo! Finance's graph I saw that the stock value increased during the holidays in the year 2021, so with that fact and other data I assumed that if the trend continued then around December 2022, the stock value should be expected to rise. When comparing companies for my Stock Market Game team these are important things I look at. Google Finance also has many of the features that Yahoo! Finance has but in a simpler format. Seeking Alpha is another good site for stock research and market analysis.

Overall, from research I learned that for my team's portfolio to be successful it needs different types of investments like stocks, bonds, and mutual funds to accomplish my goals and that's what I did. Research was a big part of my Stock Market Game experience and without using valuable research sources to make choices I would not have made good long-term investments.