

KEEPING TRACK OF YOUR SHARE INVESTMENTS

8

WHERE TO FIND SHARE PRICE INFORMATION



Information on shares and listed companies is readily available.

Summaries of the day's market action are often provided on radio and television news reports. You can track share prices and investment performance on the internet and in newspapers. The ASX website, other finance sites and many stockbroker sites allow you to keep a file of your favourite stocks and their current value.

UNDERSTANDING NEWSPAPER SHARE TABLES

Newspapers provide daily information on share prices, sales in the market and overall market trends.

When you first look at the tables you might be overwhelmed by the amount of information and the small print but it's OK once you get used to them. You also need to watch out when you look in different newspapers because the format might change slightly. However, they are usually very similar.

You will find a table marked Table A at the end of these notes. It can be printed off separately. The table is an example of how a share table may be displayed.

Shares are listed in alphabetical order according to the name of the company.

Industrial and mining shares are often listed separately. This means you need to know whether the company you are looking for is an industrial or a mining stock.

Learn about...

WHERE TO FIND SHARE
PRICE INFORMATION

MARKET INDICATORS

INVESTMENT STRATEGIES
IN BRIEF

DID YOU KNOW?

Getting stock prices these days is a lot easier than it used to be. Global information company, Reuters, first used pigeons to fly stock prices between Aachen and Brussels in 1849.

LOOKING FOR PRICES

The traditional way to check share price information is in the business section of the newspaper.

You can also access this information online at www.asx.com.au

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ACTIVITY ONE

Use the share price table at end of these notes for this activity.

1. **Name the company** that had the widest range in its share price over the 52 week period?
2. **The price** the share was sold for in the last sale of the day. What was the last sale or closing price for Suncorp shares?
3. **The amount** by which the last sale price is up or down on the previous day's close. This is expressed as cents per share. What was the move, in cents, in the price of Tassal shares from the previous day's trading?
4. **Turnover or volume** refers to the number of shares traded (bought and sold) that week. Which was the most actively traded share from the table on 31 December 2019?
5. **The Dividend Yield** is calculated by dividing the dividend per share by the current share price.

$$\frac{\text{Dividend per share} \times 100}{\text{Share price}} = \text{Dividend Yield}$$

The dividend paid by the company is expressed as a percentage of its current share price (so the yield changes when the share price changes). If you purchased shares in ASX at the closing price of \$36.63, based on the annual dividend paid, you would expect a return of 4.86% for every share you hold.

If the dividend stays the same and the price of the share rises, the dividend yield falls.

Dividend yields are important for people who are buying shares primarily for the purpose of earning income from dividends. A lot of people who have retired do this. If they put their money in the bank they know they can earn a certain amount of interest. They can compare bank interest to the dividend yield of the shares. But remember shares go up and down in price.

A. Assume the dividends for company XYZ in a year are 85 cents and the share price is \$8.50. What would the dividend yield be?

B. If the dividend stays the same and the share price falls, what happens to the dividend yield?

6. **Price Earnings Ratio** is calculated daily by dividing the share price by the earnings per share (earnings per share is net profit divided by number of shares in the company issued).

Investors use p/e ratios as a measure of how expensive a company is compared to others.

When using p/e ratios it is best to use them when comparing similar companies in similar industries.

What is the p/e ratio of JB Hi Fi on 31 December 2019?

7. The **highest and lowest sales** recorded during the past year of trading. The measure includes the last 52 weeks; it is not confined to a calendar year.
 - A. What was the lowest price for Tassal for the 52 weeks up to 31 December 2019?
 - B. What was the highest price for Tassal for the 52 weeks up to 31 December 2019?

MARKET INDICATORS

An index is a way of measuring the performance of a group of similar things. The consumer price index measures the price of a basket of items. Although the price of some items in the index might go up and others might go down, movement in the CPI gives an overall view of the change in prices relevant to consumers. The CPI is a common measure of "inflation".

The All Ordinaries Index or "All Ords" as it is sometimes called is used to indicate whether the sharemarket is going up or down. The All Ords® measures the price movements of approximately 500 companies listed on ASX (there are over 2,000 companies listed on ASX). The All Ords® therefore provides a good indication of market performance given those 500 companies represent approximately 98% of the domestic market. But remember a rising or falling index doesn't mean that all share prices in the index have risen/fallen.

While the All Ords® continues to be reported in the newspaper and on television, it is the S&P/ASX 200 that is really the main market indicator these days.

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ACTIVITY TWO

1. Look at the poster illustrating the history of share prices in Australia which can be viewed or downloaded from the ASX website - www.asx.com.au > Education > Download brochures > Australian share price movement chart.
2. Pick five points in the chart, which either show an extreme rise or an extreme fall. Write down the reason in the third column of the table below. An example of a major downturn/fall in the sharemarket has been recorded in the first column to get you started.

YEAR/S	MAJOR RISE	MAJOR FALL
1915-1916		World War 1 Shortage of imports restricting industrial activity

OTHER AUSTRALIAN INDICES

There are a range of other indices, or indexes to measure various aspects of the market. There are indices to measure a group of the top 20, top 50, and top 100 stocks. Changes in these indices give you an idea how the biggest companies are faring. As you know the market can be generally divided between industrial companies and resource companies. So there are indices for industrial companies and for companies involved in metals and mining.

In these notes you might already have read about different market sectors. Sectors reflect particular industries or types of business activity. There are indices to measure the performance of these sectors too.

WEBSITES TO VISIT

It is as important to diversify your information sources, as it is to diversify your portfolio. If you take investment seriously you will want local, national and international views on the markets. These might be difficult to get from a single newspaper.

Check the newspaper in your state but also make sure you read the national newspapers for a comprehensive insight. International papers also have online international editions.

National newspapers include:

- The Australian
<https://www.theaustralian.com.au>
- Australian Financial Review
www.afr.com

QUICK QUIZ

Find the websites for the following international publications

- Financial Times
- The Times
- New York Post
- Wall Street Journal

FAMOUS QUOTE

"After we buy a stock, we would not be disturbed if markets closed for a year or two; we don't need a quote on our position...to validate our well being."

Spoken by famous American investor, Warren Buffett

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ACTIVITY THREE

Look in the newspaper or go to the “Indices” section of the ASX website under the Prices & Research section. Write down the name of an index showing the overall performance of smaller companies.

List the indices for 3 market sectors.

1.

2.

3.

BULLS AND BEARS

The sharemarket is full of specialist words that not every one might understand. This is called jargon.

One of the most common terms you might hear is people referring to bulls and bears or bull markets and bear markets.

Some say that these terms came about because a bull market is a rising market. A “bull” tosses market prices up. A bear market is a falling market. A “bear” claws market prices down. There are other theories too. Do a search and see what you can find.

INVESTMENT STRATEGIES

Buying at a low price and selling at a high price is what all share investors would like to achieve. There is a wide range of strategies used to predict which stocks will perform well.

Some investors follow Elliot’s Wave Principle, studying changes in investor psychology to predict market trends. Fibonacci followers base their strategy on Leonardo Pisano’s famous series of numbers to forecast the sharemarket cycles.

There are many more strategies that have been used to predict the market.

Two approaches that are widely recognized and respected are the fundamental and technical approach to stock selection. Some investors use both approaches when selecting companies to invest in. For example, some investors use fundamental analysis to help them in deciding which stocks they are interested in. They then use technical analysis to help them decide when to buy and sell shares in those companies.

FUNDAMENTAL ANALYSIS

As the name suggests this approach looks at the fundamentals of a company. The analysis includes the broader economy and how that might affect the company’s prospects, how the industry sector the company is in is going and then looks at how the company itself is run as well the company’s competitors.

Fundamental analysis involves taking an in-depth look at the company, assessing the company’s profits, dividends, its assets and how the company is run. More specific information on these factors can be found in lesson four which covers why share prices change.

TECHNICAL ANALYSIS

Technical analysis (also known as charting) involves looking at past movements in share price and the volume of shares traded in a particular company in order to identify any patterns that can be used to predict the future performance. It can be used to complement fundamental analysis in the determination of the best time to buy and sell particular shares.

Serious technical analysts are only concerned with what is happening on the market. That is why they just look at charts. The charts can be of a share price index or the price of an individual company. Chartists believe that these charts show the mood of the market. They argue that markets tend to repeat certain patterns of behaviour. As a result changes in market trends, in their view, can be a signal to buy or sell a stock.

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QUICK QUIZ - INVESTMENT STRATEGIES

Read the information on investment strategies to determine whether the following statements are true or false.

1. If you use fundamental analysis as your main approach to stock selection, charting or technical analysis will be of no use to you.

True / False

2. Fundamental analysis involves studying a particular company to determine its value by investigating company profits, dividends paid and the assets of the company.

True / False

3. Those that use technical analysis will check share price charts and if the share price is rising they will definitely know it will continue to rise.

True / False

4. Chartists wait for an upward movement in share price (trend) before they act so they may not be able to benefit from the first part of the movement in share price.

True / False

5. Fundamental analysts make use of market ratios to help assess the value of a particular company.

True / False

ACTIVITY FOUR

MARKET RATIO	EXPLANATION	QUESTIONS/ACTIVITIES
1. Dividend Per Share (DPS)	This indicates the dividend paid usually expressed in cents per share. The last dividend in the company's financial year is classified as final and all others are classified as interim. The DPS is calculated by adding any interim dividends and final dividend payments. You will often find that if a company increases its dividend substantially the stock will have greater appeal to investors who are looking to earn income from their investments. Companies that are involved in activities like mining exploration are less likely to pay dividends if they don't have a regular income and steady profits.	Go to www.asx.com.au, Prices & Research > Dividends. Find out the 2 most recent dividends for the following companies: • ASX (ASX) • Westpac (WBC) • Telstra (TLS) • BHP (BHP)
2. Dividend Yield	Another word for yield is return. Farmers talk about yields from their crops or orchardists about the yield from their fruit trees. To calculate the dividend yield, divide the most recent dividend by the current share price and multiply by 100 to achieve a percentage figure. Dividend payments are the equivalent of interest payments on a bank deposit or rent received on an investment property. Like bank interest rates, they can be expressed as a percentage return on the original capital investment. When assessing the dividend yield you should note that it is based on a dividend that has been paid and the same dividend may not necessarily be paid in the future	Can you think of any advantages and disadvantages of earning income by buying shares or by putting money in the bank?

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MARKET RATIO	EXPLANATION	QUESTIONS/ACTIVITIES
3. Earnings Per Share (EPS)	Earnings per share are calculated by dividing the net profit of the company by the total number of shares issued. A history of the EPS paid by a particular company shows at a glance the growth in earnings from one year to the next and the relative size of earnings to dividends.	
4. Price Earnings Ratio (P/E ratio)	This ratio is commonly used to ascertain a stock's relative value, that is, whether it is expensive or overpriced. It is calculated by dividing the current share price by the earnings per share (EPS). For example, for a company that has earnings of 20 cents per share when the share price is \$2.00: $\text{P/E ratio } \frac{\$2.00}{20 \text{ cents}} = 10.0 \text{ times}$ If a company has a high p/e ratio it means the company's share price is high relative to its earnings. This might be because investors have a lot of confidence about the future growth of the company. This is why companies with high P/E ratios are often regarded as "growth stocks". Others might think the company is too expensive and will look elsewhere. P/E ratios for stocks in general tend to be higher in boom times and lower in bear markets. P/E ratio comparisons between companies have more relevance when you compare those that are involved in the same industry i.e comparing the P/E ratios of NAB with the Commonwealth Bank.	A) Find a newspaper with share price tables. 1. Look through the tables and list 3 companies with P/E ratios above 15. 2. List 3 companies with P/E ratios below 10. B) Can you think of any reasons in favour of buying a stock with a high P/E ratio? C) Can you think of any reasons for buying a stock with a low P/E ratio?
5. Net Tangible Assets (NTA)	NTA gives an indication of what each share in a company is worth if all the assets were liquidated (sold) and all debts were paid and the proceeds were distributed to ordinary shareholders on a per share basis. NTA is frequently referred to as the asset backing per share. Investors sometimes use the NTA to assess the desirability of a share. Compare the NTA with the share price and if the figure is greater, opportunities may exist to buy into an undervalued company. It is also possible that a take-over offer may eventuate. If the NTA is less than the share price then the market may be overvaluing the company or it may be a reflection of the company's future potential.	

TABLE A – PRICES AS AT 31 DECEMBER 2019

	Close or Last Sale \$	Move + or - (cents)	Turnover or Volume	Dividend Yield %	P/E Ratio	52 Week High \$	52 Week Low \$
Fortescue (FMG)	10.69	-.19	5,952,346	4.45	10.35	11.10	4.34
Domino's Pizza (DMP)	52.36	-1.58	163,012	2.14	40.56	55.22	35.29
JB Hi Fi (JBH)	37.67	-1.68	250,044	2.67	18.20	39.82	20.47
Suncorp (SUN)	12.96	-.24	2,147,720	7.00	78.99	14.57	12.48
Tassal (TGR)	4.16	-.08	322,997	4.32	12.89	5.25	4.01