

# The Croton Avenue Journal

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Always Free

## Market News

Markets were mixed this week and unfortunately the OPL investors seemed to be on the wrong side of the action. Technology, pharmaceuticals, and other high growth stocks underperformed this week leaving many of our investors with losses. Still, six participants saw gains this week with two portfolios pushing in positive territory for the session.

STOCKITUP elected to see Gamestop (GME), booking a massive 35% gain in just a week. Currently none of our investors are holding any of the “meme stocks\*” that have seen huge swings this year. Wholesaler BJs (BJ) was also dropped from the market by its only investor. In spite of the pull back, Amazon has continued to grow in its position as top OPL stock at 11.3% of the market with half (9) of our participants choosing it. Tesla dropped two places in popularity as one investor ended their position in response to the stock’s drop. Nielsen (NLSN), a data analysis firm famous for its TV ratings statistics, is our newest holding. The market currently has 53 different stocks and ETFs across its 90 potential holdings.

Four people got perfect scores on the Test Your Knowledge challenge. You can check your answers on page 4. This week is going to be a little harder, but I know you’ll get them anyway!

*\*Meme Stocks: A nickname for heavily short sold stocks promoted on the WallStreetBets subreddit. The companies include Gamestop (GME), AMC (AMC), Koss (KOSS), Blackberry (BB), and Nokia (NOK). These stocks have seen extreme volatility this year.*

## World News

The Biden administration is attempting to broker a deal in which Merck will manufacture Johnson & Johnson’s newly approved vaccine. If successful, this would increase the supply of vaccine and potentially speed of distribution.

Stimulus negotiations have resulted in a compromise where the income limit for receiving payments is much lower than last time, placing the cut off at \$80,000 for single and \$160,000 for couples, down from \$100,000 and \$200,000. Minimum wage increases were a non-starter. The Senate approved a \$1.9 trillion dollar on Saturday, which will return to the house Monday.

Protestors in Hong Kong defied restrictions to show support for 47 people arrested under a new security law. Hong Kong, while part of China, has been autonomous\* for years and recent attempts by the Chinese government to increase their control over the country have been met

with fierce resistance. Escalations had slowed during the pandemic, but this is a conflict that is still far from being resolved. Hong Kong, a city of 7.5 million, is an important developed market whose stock exchange has \$6 trillion in assets making it the 5<sup>th</sup> largest in the world and larger than much bigger developed countries like South Korea and the UK.

Texas again was a lead story in the news. On March 10<sup>th</sup> the state will lift its mask mandate, the governor declaring that Texas will be 100% open. However, many stores including Target and Kroger will still require people to wear masks to protect the safety of their customers and workers. Critics worry this move may cause a surge of new Covid-19 cases.

*\*Autonomous: Able to act independently from outside aid or control.*

## **Finance News**

World markets rallied on Monday, with tech shares recovering some of last week's losses. For the rest of the week interest weight worries weighed on stocks with tech shares sinking furthest. Some analysts cited inflation fears as the main reason for the drop, but even investments used to hedge\* against inflation like gold and bitcoin sold off early this week, though both largely recovered on Friday.

Bots acting on social media have been used in an organized fashion to build hype for "meme stocks". These automated accounts generate large amounts of posts on platforms like Reddit, Facebook, and Twitter to give the appearance of excitement about a stock. This might be considered market manipulation which can be prosecuted, but finding the people behind it and proving the crime may prove difficult.

A global shortage of semi-conductors has begun to have impacts on the automobile industry. The term semi-conductor refers to computer chips, as they are made out of materials that have properties that are between a conductor (easily transfer heat and electricity) and an insulator (do not transfer heat and electricity). General Motors has paused production at a number of its plants due to a lack of chips for its vehicles. A global shortage could be good news for semi-conductor companies capable of increasing their production.

New unemployment claims came in lower than expected. The unemployment rate didn't change significantly, staying at about 6.2%. This number is far lower than the high last April, but still higher than last year before the pandemic.

For the week stocks were mixed. Large companies rallied while technology and small caps continued to fall. For the most part investors are still confident in stocks, but seem to be moving from high growth companies to dividend payers.

*\*Hedge: To take an opposing position to reduce risk.*

## Indexes and other Investments

As of market close 3/5/2021

Name	Type	Value	% Weekly Change
S&P 500	US Large	3,841.94	+0.81%
Dow Jones Industrial Average	US Large	31,496.30	+1.82%
NASDAQ	US Tech	12,920.15	-2.06%
Russel 2000	US Small	2,192.21	-0.40%
Nikkei 225	Japan	28,864.32	-3.68%
FTSE100	UK	6,630.52	+2.27%
Hang Sang	Hong Kong	29,098.28	+0.41%
Crude Oil	Commodity	66.28	+7.49%
10 Year US Treasury	Bond	1.55	+6.16%
Gold	Metal	1,698.20	-1.82%
Bitcoin	Crypto	47,646.05	+2.75%

## Most Popular OPL Market Stocks

As of market close 3/5/2021

Name	Symbol	Owners	Shares	Value	% Change
Amazon	AMZN	9	610	3,000.46	-2.99%
Apple	AAPL	6	11,301	121.42	+0.13%
Alphabet	GOOG	5	429	2,108.54	+3.52%
Netflix	NFLX	4	1,479	516.39	-4.17%
Tesla	TSLA	4	1,135	597.95	-11.48%

## Weekly Big Movers

As of market close 3/5/2021

Name	Symbol	Value	% Change
Gamestop	GME	137.70	+35.38%
Exxon Mobil	XOM	60.93	+12.07%
World Wrestling Entertainment	WWE	54.50	+10.32%
Paypal	PYPL	239.05	-16.68%
CNBS	CNBS	27.37	-19.13%
Zoom	ZM	337.43	-20.06%
Spotify	SPOT	274.98	-23.47%
Tesla	TSLA	597.95	-24.35%
Peloton	PTON	105.13	-24.60%
Moderna	MRNA	132.19	-24.75%

## Test Your Knowledge Challenge

Luckily for us, the US Dollar is the most widely used currency in the world. Many major indexes are listed in dollars, saving us the trouble of accounting for the exchange rates. Still, investing in foreign stocks is a good way to add some diversification to your portfolio so knowing about other currencies can be financially valuable information.

Try to figure out what currency each of these stock exchanges are listed in!

1) Bolsa Balcão \_\_\_\_\_

2) London SE \_\_\_\_\_

3) Frankfurt SE \_\_\_\_\_

4) Hong Kong SE \_\_\_\_\_

5) Kuala Lumpur SE \_\_\_\_\_

6) JSE Limited \_\_\_\_\_

7) BMV \_\_\_\_\_

8) ASX \_\_\_\_\_

9) KRX \_\_\_\_\_

10) HOSE \_\_\_\_\_

Answers to last week: Microsoft = Satya Nadella, Apple = Tim Cook, Tesla = Elon Musk, Pepsico = Ramon Laguarta, General Motors = Mary Barra, Berkshire Hathaway = Warren Buffett, Lower's = Marvin Ellison, AMD = Lisa Su, Tencent = Pony Ma, ADP = Carlos Rodriguez

## Leader Board

As of market close 3/5/2021

Fund	Market Value	Change	Largest Holding
MARSHMELLO	1,027,272.61	4.49%	WWE
URAPEASENT	1,007,583.40	2.52%	Ford
STOCKITUP	996,833.28	-0.32%	UPS
POKEDEX	990,431.31	0.99%	Mattel
KITTYCAT	981,132.86	1.51%	Apple
OKAPI	973,311.96	0.02%	eBay
KARMA	965,213.54	-1.22%	Eli Lilly
KOPIMON	963,775.03	-0.09%	Microsoft
AYUNSTOCK	955,776.08	0.29%	Regeneron
GR4VITY09	954,176.46	-1.39%	Netflix
KAYFUND	949,533.07	-0.71%	Amazon
CHAIR	937,938.47	-1.05%	Amazon
BLUESPHERE	920,250.08	-2.93%	Moderna
TROYBOI	910,035.23	-3.18%	Apple
LILLYPOP	906,874.89	-5.15%	Moderna
NESTEGG	903,283.83	-3.61%	BFIT
YODAGROUP	900,987.00	-3.51%	Pfizer
HJRCAPITAL	887,916.47	-4.96%	CNBS

## Dividends Paid

BAC .18, FDX .65, PEP 1.0225, BRKS .10, SEE .16

## Trade Wire

CHAIR: Sell TSLA, Buy PYPL

POKEDEX: Sell BJ, Buy NLSN

STOCKITUP: Sell GME, Sell DIS, Buy AMZN, Buy UPS

## **Know Your Stocks: Short Selling**

The Gamestop drama has been the most interesting finance story of the year, capturing the imaginations of people around the world. It is a story worth hearing, but to fully appreciate it you are going to need some background in a few key concepts. Over the next few weeks this article will go over some of the elements that led to the chaos that began in January.

### **Making Money Up and Down**

Short selling is when you borrow a share of a stock so that you can sell it to someone. In practice, doing this gives you a “negative” share of that stock. You will eventually have to buy that stock back so you can return it to the person you borrowed it from. This means that in order to make money from a short sale, the stock must go down.

### **Supply and Demand**

When you sell a stock short, two people “own” that share, the person who you borrowed it from and the person you sold it to. This creates more supply. According to supply and demand increasing the supply can lower the price. Lots of shorting will cause a stock’s price to drop.

### **Rewards and Risks**

When you buy a stock, you have “limited liability”. This means that the only money you can lose is the money you invest. If you buy 10 shares of AAPL for \$100, the most you can lose is \$1,000. There is no limit to the amount you can gain. Over 20 years the price could increase to \$1,000 and the stock could pay another \$1,000 in dividends, increasing your investment by \$10,000. There is no fee for owning a stock and you can sell it whenever you wish.

With a short sale, everything is backwards. Because you make money when the stock goes down, the amount of money you can make is limited as the stock can’t become worth less than \$0. On the other hand, there is no cap on the price a share can rise to so your potential losses are unlimited. On top of this, if the stock pays a dividend, you need to pay the person you sold the share that dividend. Because you are borrowing the stock, you need to pay the person you borrowed it from interest as long as you are shorting the stock. Finally, the person lending you the share may force you to buy it back if it looks like you will be unable to afford to if the price continues to rise, possibly even forcing you to sell other investments.

### **The Squeeze**

Short selling is a way to make money and can lower the price of a stock, but involves some very big risks. This makes for a dangerous situation if many people are shorting a stock and the price begins to rise quickly. Remember, people who wish to end their short sale must buy the stock and if many people want to do this at the same time, that creates demand. Rising demand increases a stock’s price, meaning heavily shorted stocks can see huge rises in a short period of time. This is called a “Short Squeeze”. Remember that, it’ll be important later.

## **Your Thoughts: Investor Interview**

Dash sat down with me this week to talk about his portfolio. At only seven years old, Dash is our youngest investor. His fund POKEDEX is down about 1% for the year, putting near the top of the market.

I started by asking Dash about Mattel, his largest investment. Dash said there was no particular product that the company was making that excited him, but he thought that toys was a good industry to be in. As Hasbro is one of my picks, I definitely agree. Dash thought the pandemic has been good for toy sales and he hopes Mattel's great run (the stock was up about 60% last year) continues. Mattel is up 9.15% since the Fantasy Stock Market began.

We moved from there to BJs. On his trade form, Dash said he wanted to get out of BJs immediately, so I asked him why he bought the stock and why his opinion changed so quickly. Dash said he was unhappy with the stock performance in the past two weeks (it was down 12.45%). He thought that the spread of the vaccine was a big issue for the stock because as more people get vaccinated, the more people will be confident, which will lead people away from companies like BJs. What Dash is describing is definitely something that happens often. BJs falls into the Consumer Staples (companies that produce or sell needs) sector, a "Counter Cyclical". Counter cyclicals tend to move against the economic cycle, so when the economy is slow, they overperform. If Dash is right about where the economy is heading selling BJs might be a good idea. Consumer Discretionary (companies that produce or sell wants) are cyclical, meaning they could be good to buy if you are expecting a strong economy.

The next topic was technology stocks. Dash is holding Amazon and Alphabet, but the last two weeks showed some real weakness in the tech sector. Technology stocks have far outperformed for the past year, so I asked Dash if he thought this would continue or if things might reverse. Dash said he was seriously thinking about selling his technology stocks and would be looking at the events of next week to make his decision.

I shifted to conversation to talking more generally about the pandemic, noting that it has changed our lives in many ways. Dash noted that vaccines were here and things seem like they might get better soon. I asked Dash what parts of our lives that changed due to the pandemic he thinks will return to normal and which changes he thinks might be here to stay. Dash thought that mask wearing is probably something that is going to fade away soon, but that video calls and online meetings are pretty useful so might be here to stay (just less of them than there are now). He noted that video calling lets people talk and work when they can't out and like when you are stuck. I agree that more flexibility in when and where people can work is a great thing and hope that these changes will become a part of life that can help people be productive and connected. Working from home isn't something only useful during a pandemic.

I would like to thank Dash for his time and wish him luck in the OPL Fantasy Stock Market.