

# The Croton Avenue Journal

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Volume IV

Always Free

## Market News

The rally was in full swing this week and our investors caught most of it as tech and growth stocks outperformed. Unfortunately, three of the week's biggest gainers were in stocks that our market sold: Gamestop (GME), Tesla (TSLA), and BJs (BJ). In spite of this, 17 out of 18 funds saw gains with four of our participant's portfolios rising more than 5%. Four of investors are now in positively territory, but overall, the OPL Market is still slightly down for the year, being held back by the underperformance of Amazon, our largest holding. One of our investors has decided to drop Amazon from their portfolio, but eight more are holding the online retail and cloud computing giant.

Only one of our participants decided to take the dive into Roblox (RBLX) during its first week of trading. The gaming platform opened at \$64.50 and continued to gain, rising into the 70s before drifting down to 69.70 on Friday, placing it at a market cap of about \$38 bn. At that price investors are expecting continued growth. Video games is a world where you can quickly go from hot to not, so we'll see if Roblox is able to keep with the times or if it will get left behind.

Only three participants took on the Test Your Knowledge Challenge this week, with two managing perfect scores. This week is going to make you think too, so maybe next week we'll take it easy again!

## World News

The \$1.9 trillion stimulus package passed the house on Wednesday and it was signed by President Biden on Thursday. This plan includes direct payments to most Americans of up to \$1400, an expanded child tax credit, increased unemployment benefits, expansions to the Affordable Care Act, and support for endangered pension plans. It does not include a higher federal minimum wage or student loan forgiveness as many had been pushing for.

President Biden announced they he expects all Adult Americans to be eligible for vaccines to by May. Actually getting everyone vaccinated will of course take longer.

A surge of Covid-19 cases in Brazil is overwhelming hospitals, causing a massive public health crisis in South America's largest country.

Fears of blood clots caused by the Astra Zeneca vaccine has slowed roll it in Europe. Oxford states there is no link between the vaccine and blood clots, but some countries like Denmark have temporarily halted distribution of the vaccine to investigate. The Astra Zeneca vaccine is not one of the three approved in the US.

## **Finance News**

Markets rallied broadly as inflation fears subsided. Combined with last week's unemployment data and this week's stimulus deal, markets seemed to have little to fear and rose through the week. Interest rates did continue to rise, though.

"Meme" stocks continued to surge in volatile trading with Gamestop briefly rising above \$300 again. These retail investor instigated rallies have punished short sellers betting that struggling businesses will fail. The increased valuations from these rallies have helped these companies secure financing and generated massive amounts of free advertising for them.

Flutterwave, a Nigerian based finance app, received \$170 in capital, placing its valuation at \$1 bn. Markets across Africa are ignored by most US investors, but China has invested heavily on the continent. Some have thought that Africa, with its plentiful natural resources and growing population, would be the biggest region of financial growth in the world, but that has not been the case. Will the 2020's be Africa's decade for explosive growth?

The economic effects of Brexit on Britain are beginning to come into focus. London, once the finance capital of Europe, has seen many stocks and other financial activities move to other markets in the EU. Amsterdam has surpassed the British capital for the largest share of Europe's financial activity. The country's share of trade has also diminished. The UK formally left the European Union on January 1<sup>st</sup>.

## **OPL vs. The Street**

**As of market close 3/12/2021**

Name	Which Market?	Holdings	Value	Value on 2/19	Change?
OPL	Ossining Library	56	17,648,076.82	18,000,000	-1.96%
SPY	S&P500	500	394.06	390.03	+1.03%
DIA	DJIA	30	328.31	314.92	+4.25%
QQQ	NASDAQ	100	315.46	331.02	-4.70%
IWM	Russell 2000	2000	233.59	225.19	+3.73%

Historically, the OPL market has outperformed the S&P 500 in every year of its existence, but this year we are lagging behind by a significant margin! Will the streak finally end this year?

## Indexes and other Investments

As of market close 3/12/2021

Name	Type	Value	% Weekly Change
S&P 500	US Large	3,943.34	+2.64%
Dow Jones Industrial Average	US Large	32,778.64	+4.07%
NASDAQ	US Tech	13,319.76	+3.09%
Russel 2000	US Small	2,352.79	+7.33%
Nikkei 225	Japan	29,717.83	+2.96%
FTSE100	UK	6,761.47	+1.97%
Hang Sang	Hong Kong	28,739.72	-1.23%
Crude Oil	Commodity	65.56	-1.09%
10 Year US Treasury	Bond	1.635	+5.48%
Gold	Metal	1,725.82	+1.63%
Bitcoin	Crypto	57,067.98	+19.77%

## Most Popular OPL Market Stocks

As of market close 3/12/2021

Name	Symbol	Owners	Shares	Value	% Change
Amazon	AMZN	8	610	3089.49	+2.97%
Apple	AAPL	6	11,301	121.03	-0.32%
Alphabet	GOOG	5	429	2061.92	-2.21%
Tesla	TSLA	4	1,135	693.73	+16.02%
Netflix	NFLX	4	1,479	518.02	+0.32%

## Weekly Big Movers

As of market close 3/12/2021

Name	Symbol	Value	% Change
Gamestop	GME	264.5	+92.03%
Tesla	TSLA	693.73	+16.02%
CNBS	CNBS	31.16	+13.85%
Chipotle	CMG	1453.24	+9.08%
Ford	F	13.37	+8.96%
BJs	BJ	42.32	+8.24%
Brooks Automation	BRKS	84.09	+8.08%
Delta	DAL	49.83	+7.83%
Hanesbrands	HBI	20.48	+6.61%
Peloton	PTON	111.55	+6.11%

## Test Your Knowledge Challenge

Thanks to things like futures, options, and short selling, people can make money in the stock market whether stocks go up or down! You definitely don't want to be mixed up which is which, though, as that could end in a very expensive mistake!

**If you have these positions, do you want the price of Apple (AAPL) to go up or down?**

1) 100 Shares of AAPL \_\_\_\_\_

2) 100 Shares sold short of AAPL \_\_\_\_\_

3) A call contract for AAPL \_\_\_\_\_

4) A put contract for AAPL \_\_\_\_\_

5) 100 Shares of VOO, an S&P 500 etf \_\_\_\_\_

6) A futures contract to buy AAPL \_\_\_\_\_

7) A futures contract to sell AAPL \_\_\_\_\_

8) Sold a call contract for AAPL \_\_\_\_\_

9) Sold a put contract for AAPL \_\_\_\_\_

Answers to last week: Bolsa Balcão = Brazilian Real, London SE=Pound Sterling, Frankfurt SE=Euro, Hong Kong SE=Hong Kong Dollar, Kuala Lumpur=Malaysian Ringitt, JSE Limited=Indonesian Rupiah, BMV=Mexican Peso, ASX=Australian Dollar, KRX=South Korean Won, HOSE=Vietnamese Dong

## Leader Board

As of market close 3/12/2021

<b>Fund</b>	<b>Market Value</b>	<b>Change</b>	<b>Largest Holding</b>
URAPEASENT	1,078,349.46	7.02%	Ford
STOCKITUP	1,053,091.27	5.64%	UPS
MARSHMELLO	1,041,849.23	1.42%	WWE
POKEDEX	1,005,705.29	1.54%	Mattel
<b>KAYFUND</b>	<b>997,628.36</b>	<b>5.07%</b>	<b>Amazon</b>
<b>OKAPI</b>	<b>996,295.61</b>	<b>2.53%</b>	<b>eBay</b>
<b>KARMA</b>	<b>984,308.41</b>	<b>1.98%</b>	<b>Eli Lilly</b>
GR4VITY09	983,645.32	3.09%	Netflix
<b>KITTYCAT</b>	<b>980,361.93</b>	<b>-0.08%</b>	<b>Apple</b>
KOPIMON	980,182.15	1.70%	Microsoft
AYUNSTOCK	971,813.49	1.68%	Regeneron
HJRCAPITAL	960,649.74	8.19%	Roblox
CHAIR	958,925.63	2.24%	Amazon
YODAGROUP	941,553.89	4.50%	Pfizer
<b>NESTEGG</b>	<b>940,827.66</b>	<b>4.16%</b>	<b>BFIT</b>
BLUESPHERE	933,787.73	1.47%	Moderna
TROYBOI	920,800.34	1.18%	Amazon
LILLYPOP	918,301.31	1.26%	Moderna

## Dividends Paid

NDAQ: .49, WWE: .12

## Trade Wire

HJRCAPITAL: Sell CNBS, Buy RBLX

POKEDEX: Sell AMZN, Buy DIS

## **Know Your Stocks: Options**

Continuing with some background for the Gamestop drama, this week we delve into the world of options, a favorite amongst people who think stocks just aren't risky enough.

### **A Deal You Can Break**

Options are a contract between two people over a sale of stocks on a specific date. However, unlike most contracts, only one side is bound to follow it. For the other party, following the contract is optional: you only have to do it if it's to your benefit. One side has the option to enforce it, hence the name.

There are two types of option contracts. **Calls** give the option holder the ability to buy a stock on a specific date for a specific price. **Puts** give the option holder the ability to sell a stock on a specific date for a specific price. The specified price is called the **strike**. The specified date is called the **expiration**.

For example, you might buy a \$150 call for Apple that expires on June 18<sup>th</sup>. If June 18<sup>th</sup> comes around and Apple is at \$120, you don't have to buy it. You lose the money you spent buying the option, but you don't have to buy the shares for \$30 more than they are worth. On the other hand, if Apple is at \$200 on June 18<sup>th</sup>, you get to buy it for \$150, saving \$50 a share. From that you subtract the price you paid from the option and that's how much money you make.

### **Why is this Even a Thing?**

Options can be used to hedge risk, but are most often used for leverage. Buying a call option is cheaper than buying a share, so you can buy more options than you could shares, raising the amount of money you can potentially make. But doing this adds a lot more risk. Remember, call options are only worth money if the stock price is above strike price, so if the stock doesn't reach that price, they will be worth nothing! Put options work almost the same, but they are worthless if the price is above the strike. As such, puts can be used as a bet that a stock price will go down.

### **Two Sides to the Story**

Options are risky for the person buying them, but that risk is limited to the money spent. When a person sells an option, their risk is much greater. The seller gets paid the price of the option, which is the limit of what they can make from the deal, but they can lose far more. Remember the person who sells the option is obligated to fulfill the contract. If they sell a call for \$100, they have to sell that share for \$100, even if the stock is worth \$200. Likewise, if they sell a put for \$100 they have to buy that share for \$100, even if the stock is worth \$10. This huge risk means that people who sell options will buy and short sell shares to hedge their risk. When prices change rapidly this can create big demand for (or supply of) a stock if many options are bought at once. Combining that the leverage involved and option sales can have a huge effect on a stock's price.

### **Is This a Casino?**

Options don't generate value. The money gained and lost from an option comes directly from the two parties involved in the contract. This combined with the heightened risk and limited time frame means options can be used as a form of gambling where instead of betting on a game of chance or a horse race, it is a bet between two people on the price movement of a stock. Indeed buying "out of the money" (options that currently will have no value at expiration) options that expire very soon is a way to make or lose massive amounts of money very quickly, with some people referring to them as lottery tickets. Buying options is generally not part a strategy for someone looking to responsibly grow their savings.

## **Your Thoughts: Investor Interview**

This week I spoke to Ayun, manager of AYUNSTOCK. While Ayun is a long-time library user, this is her first year doing the OPL Fantasy Stock Market. I asked her how much she knew about the stock market before this program and she said very little, but also said that the program has taught her a bit about it which is great!

Ayun is the first OPL FSM participant to choose Regeneron, so I asked her why she picked it. She said that her father suggested it. I mentioned that the company was local and wondered if she knew someone who worked there, but she said that wasn't the case. Regeneron's stock climbed last year on hopes they would complete a COVID-19 vaccine, then fell when other companies completed them first. I asked Ayun how she felt about this and she responded that Regeneron is a big company with many projects that have potential so it isn't a big deal. While these days it sometimes feels like COVID-19 is the whole world, Ayun is correct that there is a lot more that biotech has to offer.

Ayun also bought the favorite stocks of the OPL Market, Apple and Amazon. Even though both companies have had an incredible run, Ayun believes there is still plenty of room to grow. I asked her which she thinks has the most potential and Ayun thought Amazon would, agreeing with our market that loves the stock. Having both our most popular stocks as well as less popular ones, I asked Ayun if she thought following the crowd or looking for hidden gems was the better strategy. Ayun thought finding hidden gems had more potential, but popular stocks are a smart choice too.

Facebook has seen explosive growth, but has also been a controversial company. I asked Ayun if she thought it was possible for a company to become too big, but she didn't think so. Ayun continued that while she is not a Facebook user, her mother is which is what drew her to the company. Facebook is one of the largest companies in the world, but it has never been popular in the OPL Market. We will have to see how they can reach the younger generation to continue its growth, a difficult task when you already have 2 billion users.

Hyundai was Ayun's car company of choice, steering away from OPL's old favorite Toyota and new favorite Tesla. Ayun explained that she picked Hyundai because it is a Korean company and her family is Korean, so she wanted something to reflect that. I mentioned that there is an ETF (EWY) that buys stocks across the South Korean market, including big companies like Samsung, Kia, and Hynix. Ayun was interested in this, but decided to stick with Hyundai as she thinks it's a high quality company. She also saves EWY's .59% expense fee.

Ayun has not made any trades yet and said she didn't think she would. Historically the winners of the OPL Market have not made trades so this might be a good plan.

Finally, I asked Ayun if she plays Roblox and she said she loves to and plays on Sundays. I mentioned Roblox is now a public company and valued at around \$38 bn and asked if she thought that was too expensive. Ayun said Roblox is definitely worth that valuation and probably even more, recommending it to other investors. She did draw the line at buying the stock for herself, preferring to stick with her current portfolio.

I thank Ayun for her time and wish her luck in the OPL Fantasy Stock Market.