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Always Free

Market News

There was little action on Wall Street this week with stocks ending just below where they began. The OPL Market fell similarly, losing about .5%. Twelve investors had losses while six saw gains. Facebook led gainers with an 8% jump while Moderna was the largest gainer amongst stocks with more than one owner. Roblox had a boring week, ending about where it started. Big tech continued underperforming for us, with Amazon again down.

No trades were made this week. Are our investors happy with their portfolio or are they waiting for an opportunity? Does this week's drop in oil seem like an opening to buy? Does the weakness in tech stocks make you want to buy up or sell for greener pastures?

There were no takers for this week's test your knowledge. If you were stumped, check out the answers. I hope you enjoy this week's questions better. There's only two!

World News

A war of words between US and Russia has heated up. President Biden publicly called Russian President Vladimir Putin a killer in his first foreign policy speech. Biden also stated the US would not ignore aggressive actions from Russia, specifically citing election interference, cyberattacks, and murders of Russian citizens that oppose Putin. Russia responded with its own aggressive rhetoric and included Putin challenging Biden to an online debate. It is doubtful that this will happen.

Oil prices fell over the week with the political worries with Russia shook the market. Oil had reached a two year high on March 7th.

The Taiwanese government urged its citizens not to legally rename themselves Salmon. The restaurant Sushiro has a promotion to give free sushi to anyone with that name.

European countries will resume using the Astra Zeneca vaccine as studies confirm the benefits outweigh the risks.

Tanzania's populist President John Magufuli died this week. While many loved his harsh anti-corruption stance, Magufuli limited political freedoms and opposed the coronavirus vaccine.

Finance News

Markets were bumpy with US and European indexes slightly down while Asian markets saw slight gains. Tech stocks continued to (in spite of a Friday rally) while treasury bond rates climbed. Growth stocks and treasury rates often move in opposite directions. Bond rates have been climbing all month despite the Federal Reserve saying that interest rates would not be raised in the near future with many worrying that the massive amounts of global stimulus will lead to inflation.

A child was killed in a tragic accident involving a Peloton treadmill leading the company to issue a safety warning urging people to keep children and pets away from their equipment. Peloton's stock fell about 5% on the news.

A provision making unemployment insurance exempt from federal taxes included in the Covid Stimulus bill has caused some confusion as many Americans have already filed their taxes. The IRS will issue guidance on the subject soon.

Stimulus payments hit the bank accounts of many Americans this week. We will see if this influx of money drives up the price of retail investor loved "meme" stocks.

Investors seem to have mixed opinion on the future of real estate. More workers staying home may result in a lowered demand for office space, but a greater desire for social distances might mean business will want to buy larger workspaces. Only the future will tell how the pandemic will change how businesses operate.

Special-purpose acquisition companies (SPACs) have seen a boom. These so-called "blank check" company stocks are used to buy private companies, allowing them to go public without going through an IPO. SPACs almost always lose money for their investors and tend become popular during economic bubbles.

OPL by the Weeks

Date	Value	Best Stock	Week Change	Total Change
2/19	\$18,000,000.00			
2/26	\$17,300,664.66	GME	-3.89%	-3.89%
3/5	\$17,132,325.57	GME	-0.97%	-4.82%
3/12	\$17,648,076.82	GME	+3.01%	-1.96%
3/19	\$17,547,945.70	FB	-0.57%	-2.51%

Indexes and other Investments

As of market close 3/19/2021

Name	Type	Value	% Weekly Change
S&P 500	US Large	3,913.10	-0.77%
Dow Jones Industrial Average	US Large	32,627.97	-0.46%
NASDAQ	US Tech	13,215.24	-0.78%
Russel 2000	US Small	2,287.55	-2.77%
Nikkei 225	Japan	29,792.05	+0.25%
FTSE100	UK	6,708.71	-0.78%
Hang Sang	Hong Kong	28,990.94	+0.87%
Crude Oil	Commodity	61.51	-6.18%
10 Year US Treasury	Bond	1.73	+5.81%
Gold	Metal	1,742.10	+0.94%
Bitcoin	Crypto	58,712.87	2.88%

Most Popular OPL Market Stocks

As of market close 3/19/2021

Name	Symbol	Owners	Shares	Value	% Change
Amazon	AMZN	8	549	3074.96	-0.47%
Apple	AAPL	6	11301	119.99	-0.86%
Alphabet	GOOG	5	429	2043.2	-0.91%
Netflix	NFLX	4	1479	512.18	-1.13%
Tesla	TSLA	4	1135	654.87	-5.60%

Weekly Big Movers

As of market close 3/19/2021

Name	Symbol	Value	% Change
Facebook	FB	290.11	+8.09%
eBay	EBAY	59.73	+7.04%
Moderna	MRNA	143.74	+4.93%
McDonalds	MCD	222.44	+4.76%
UPS	UPS	159.29	-5.01%
Tesla	TSLA	654.87	-5.60%
Zoom	ZM	326.26	-5.81%
Exon Mobil	XOM	56.49	-8.84%
Eli Lilly	LLY	184.29	-11.43%
Gamestop	GME	200.27	-24.23%

Test Your Knowledge Challenge

We'll keep it short this week. Short because there are only two questions, but also because they require short form answers! You might have to do a little reading for these two because they're questions about finance history.

- 1) What product experienced a massive bubble and even more massive crash when people began speculating on them in the Netherlands during the 17th century?
- 2) What is the common nickname for the period of time from 1996-2000 when the price of internet and technology stocks had massive gains, only to crash spectacularly with many companies failing?

Answers to last week:

- 1) 100 Shares of AAPL: Up! Stocks going up makes you money.
- 2) 100 Shares sold short of AAPL: Down! After selling a share short, you have to buy it back, so you want the price as low as possible.
- 3) A call contract for AAPL: Up! Call options let you buy at a specific price, so if the shares go up, you get to buy at a discount.
- 4) A put contract for AAPL: Down! Put options let you sell a share at a specific price, so if the shares go down, you get to sell for more than they are worth.
- 5) 100 Shares of VOO, an S&P 500 etf: Up! Apple is the largest company in the S&P 500, so if Apple goes up, it helps VOO go up.
- 6) A futures contract to buy AAPL: Up! You're buying the shares.
- 7) A futures contract to sell AAPL: Down! You're selling the shares.
- 8) Sold a call contract for AAPL: Down! When you sell a call, you are committing to selling a stock for a certain price. You want that stock to be worth less than the strike or as little as possible.
- 9) Sold a put contract for AAPL: Up! When you sell a put, you are committing to buy a stock for a certain price. You want that stock to be worth more than the strike or as much as possible.

Leader Board

As of market close 3/19/2021

Fund	Market Value	Change	Largest Holding
URAPEASENT	1,068,029.62	-0.96%	Ford
MARSHMELLO	1,045,648.79	+0.36%	WWE
STOCKITUP	1,019,723.22	-3.17%	Apple
OKAPI	1,007,267.25	+1.10%	eBay
POKEDEX	1,002,814.62	-0.29%	Mattel
AYUNSTOCK	994,509.61	+2.34%	Regeneron
GR4VITY09	980,022.92	-0.37%	Netflix
KOPIMON	972,746.23	-0.76%	Microsoft
KAYFUND	971,688.73	-2.60%	Apple
KITTYCAT	965,756.71	-1.49%	Amazon
KARMA	964,460.08	-2.02%	McDonalds
CHAIR	959,873.98	+0.10%	Amazon
BLUESPHERE	950,501.36	+1.79%	Moderna
HJRCAPITAL	943,906.19	-1.74%	Disney
LILLYPOP	938,337.25	+2.18%	Moderna
NESTEGG	928,869.47	-1.27%	BFIT
YODAGROUP	923,196.89	-1.95%	Pfizer
TROYBOI	910,592.78	-1.11%	Amazon

Dividends Paid

WMT: .55

Trade Wire

None!

Know Your Stocks: Hedge Funds

The word “fund” is used to describe a pool of assets that investors can buy into in exchange for paying the manager of those assets a fee. Basically, investors are paying someone to make their investment decisions for them. Most funds are **passive** meaning the fund just follows an index, a country, a sector, or buy a specific range of commodities. They can either trade on an exchange or be directly invested in by anyone in the public and are subjected to a number of rules to protect their investors. Other funds are **active**. In these managers make decisions to try to perform better than the market.

Hedge Funds

Hedge funds are a type of actively managed fund, but they are private. Hedge funds usually only take on large investments from rich individuals and clients. Because they are not publicly traded, these funds do not have to follow many of the rules that govern other funds. They can sell stocks short, trade other financial instruments like options, futures, credit swaps, or private debt, and buy and sell goods like collectables or commodities.

The Good

The name hedge fund comes from the fact that they can take opposing positions, allowing the fund to hedge risks. Hedge funds can position themselves to make money when the market decreases, something that most funds can't do. They can also hedge to reduce their risk and give investors more consistent returns than the stock market. Hedge funds can also use leverage increase their risk, allowing to make bigger gains.

The Bad

Hedge funds often use risky techniques to get bigger returns, which means they can take massive losses if things go bad. There are dozens of hedge funds that have failed due to chasing huge gains from unconventional investments. They can also lose money while the market rises if they hedge too much. Hedge funds also have much higher fees than most types of funds. The typical rate on a hedge fund is 2% plus 20% of the gains. In comparison some index funds have fees as low as .03% and almost all etfs well under 1%.

The Ugly

While hedge funds are a huge industry that manage ~\$800 billions of dollars, they are hated by many.

Hedge funds normally have very high minimum investments, meaning only the rich have access to them. Many hedge funds may require people to invest at least \$100,000 and even \$1,000,000 is not unheard of. By contrast an ETF can be purchased by anyone who can afford a share, usually between \$20-\$500.

Hedge funds get much of their allure from the fact they aren't subject to many regulations, but the lack of regulation is a risk as well. Some hedge funds have turned out to be frauds for their investors. Most famously Bernie Madoff stole about \$65 billion from his clients.

By short selling companies or buying up endangered bonds, hedge funds can often take positions that put their interests directly at odds with other investors.

The hedge fund industry is extremely competitive, with various funds fighting for investors. Some of these funds have resorted to illegal activities to improve their gains, most commonly insider trader. Funds caught in these types of activities can see catastrophic losses.

Due to the sheer size and leverage involved, a particularly large hedge fund can be a risk to the entire financial system. Long-term Capital Management in 1998 is an example of a hedge fund that needed billions of dollars to bail it out and avoid a market meltdown.

Your Thoughts: Investor Interview

This week I spoke to Fauzan, manager of YODAGROUP. Fauzan's family have been regular library goers for years, but this is his first time in the OPL Fantasy Stock Market.

We started our conversation discussing Pfizer. I mentioned that Pfizer is one of the largest pharmaceutical companies in the world, but even though they completed the first Coronavirus vaccine their stock has barely moved. Fauzan said that he thought Pfizer's stock could get a boost if they were able to sell more vaccines outside of the United States, but noted that this was made difficult by the fact that their vaccine has to be kept at extremely low temperatures. A February 25th update by the FDA said that the undiluted vaccine can be kept at standard freezer temperatures for up to two weeks, which will definitely help with distribution. We will see if this leads to more sales for Pfizer.

Next, we talked about Zoom, one of the biggest winners of 2020. I asked Fauzan if he thought the company would remain popular now that vaccinations were become more widespread. He responded that the pandemic has made people comfortable with virtual meetings and that going forward more schools will offer online classes. He added that many companies are changing to have more work being done remotely, noting that this was true for the company his mother works at. In order for online classes and remote work to be effective, you need good teleconferencing tools and Zoom has established itself as one of the market leaders. Zoom will probably stay a household name for a while.

Big companies were up next. YODAGROUP has a position in Microsoft which not long ago held the title of world's largest public company, an honor now belonging to Apple. I asked Fauzan which company he thought should be regarded by investors as the most valuable in the world and he said that environmental sustainability should be a top priority for the future, so Tesla should be a consideration. Investors think very highly of Tesla being valued at ~\$628 bn, but with a revenue of only ~\$31 bn the company still has a lot of growing to do before it can truly be considered one of the biggest in the world. Thinking more in the present, Fauzan also thought that Amazon had a good shot at that title, as the pandemic has shown how important the company is to most people's everyday lives. At ~\$1,548 bn, Amazon is the third largest public company in the world with ~\$386 bn in revenue.

Like most of our participants, Fauzan has avoided trading. He said that trading is harmful to most investors because timing stock prices is so difficult. While he isn't sure if he will trade, Fauzan identified a few places he might move into. His first sector of interest was health care and pharmaceuticals for obvious reasons. Next up was "vacation" themed stocks, such as theme parks, hotels, and airlines to take advantage of a bounce back in a post-vaccinated world. Finally, he mentioned Roblox as a stock of interest as the service has only gained in popularity after a year of staying at home without much to do other than play video games.

Ironically, Roblox was my final questions and I asked him his thoughts about company's ~\$40bn valuation. He said he thinks the company is a buy at that price as the game's popularity is just that high. He added that if he does decide to sell one of his positions, Roblox is high on his list of potential stocks to buy.

I thank Fauzan for his time and wish YODAGROUP luck in the OPL FSM!