

**Sun City Summerlin Computer Club**

**Internet Investing  
SIG**

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August 20, 2015**

# SIG Meeting Schedule

- **The Internet Investing SIG meets every other “even” month on the third Thursday morning at 9 AM. The next six meetings will be:**
  - *October 15, 2015*
  - *December 17, 2015*
  - *February 18, 2016*
  - *April 21, 2016*
  - *June 16, 2016*
  - *August 18, 2016*

# Recent Market Moves

- **Let's Look at Recent Charts for Market Averages**
  - *Dow Jones Industrials Chart ^DJI*
  - *S&P 500 Chart ^GSPC*
  - *Nasdaq 100 Chart ^IXIC*
  - *Russell 2000 Chart ^RUT*
  - *Key Dow stocks: <http://money.cnn.com/data/dow30>*
- **The markets been trading in a range.**
  - *Dow has bounced up and down from 17,100 to over 18,310.*
  - *Volatility still seems to be the norm.*
- **What did *YOU* do (if anything) in the past two months?**
  - *Buy on the dips? Sell (at the bottom or at the top)? Hold?*
  - *Did you buy Puts? Buy Calls? Sell Puts? Sell covered Calls?*
  - *Did you or will you buy in near the bottom?*
  - *Are you moving into or out of "safer" investments (bonds / CDs)*
- **What do *YOU* think will happen in the next 3-6 months?**

# Fundamentals Review

- **Dollar fairly strong against foreign currencies.**
  - <http://www.schwab.com/public/schwab/nn/articles/What-Does-the-Dollars-Strength-Mean-for-Investors?cmp=em-QYB>
  - *Oil priced in dollars.*
  - *Saudis and Iran are still pumping and flooding the markets.*
  - *Crude oil (now about \$43) and many energy stocks are still very low.*
  - *Other commodity prices and stocks of producers still down.*
  - *Marginal drilling ventures are shutting down or may get bought out.*
- **Predictions of a new world currency by end of 2015**
  - *SDR basket run by the IMF to replace the dollar – but won't include the Yuan.*
- **ISIS in the middle east causing great concern.**
  - *“Flight to quality” (Selling stocks and buying US Govt. debt) has pushed bond yields down. But, the 10 year Treasury note now yields about 2.2%*
- **Obamacare policies kicking in – more cancellations, rate hikes.**
- **Eurozone – especially Greece – still in *BIG* trouble.**
- **China markets & economy also in big trouble; Yuan devalued.**
  - <https://finance.yahoo.com/news/spot-china-trouble-lurking-portfolio-173440018.html>
- **Federal Reserve may raise rates in September and/or December.**

# Interest Rates

- Interest is what *you* pay to rent *someone else's* money (borrow) or what *someone else* pays to rent *your* money (lender).
- Interest rates depend on several factors:
  - *How long the borrower has to repay the loan.*
  - *Expected rate of inflation.*
  - *Risk that the borrower will default (mitigated with collateral).*
  - *Currency conversion factors (if “loan”, bond or deposit is inter-national).*
- Some common “benchmark” rates you can track:
  - [www.bankrate.com](http://www.bankrate.com)
  - *Fed Funds rate (overnight loans between banks)*
  - *LIBOR (London Interbank Offered Rate)*
  - *U.S. Treasury bills: 91-day, 181-day*
  - *U. S. Treasury notes: 1-year, 2-year, 10-year, 30-year*
- Prices of bonds, preferred stocks and high-yield common stocks inversely related to these benchmark rates.
- Federal reserve likely to raise Fed funds rate .25% in Sep. & Dec.
  - *Some impact on bond and prices likely.*

# Currency Values

- **Major world currencies:**
  - *US Dollar, Euro, British Pound, Japanese Yen, Chinese Renminbi (Yuan), Canadian Dollar, Australian Dollar, Mexican Peso, ...*
  - *Managed by central banks of the countries or economic unions*
- **US Dollar is main “reserve currency”**
  - *U.S. economic strength and [comparative] integrity*
  - *U.S. Federal Reserve Bank can “print” dollars more or less “at will”*
  - *Largely used to buy government bonds / notes to fund deficit spending*
- **Foreign Exchange Markets Determine Exchange Rates**
  - *Dynamic – fluctuate all day – usually in very small amounts*
  - *Many billions exchanged each day – mostly computerized*
  - *Not a market for small investors*
  - *Let’s look at a few ...*
- **Exchange rates affect profits of U.S.-based international companies**
  - *Profits earned in foreign currencies may be worth less when converted back to dollars*
- **A “high” dollar is good for U.S. consumers – cheaper foreign goods**
  - *Electronics, clothing, cars*
- **A “high” dollar is bad for U.S. Exporters – U.S. goods cost more in weaker foreign currencies.**
  - *Cars, heavy machinery*

# **Open Discussion**