

## Investment and the Stock Market

- What advice would you give to someone who wants to start investing?
- What are your economic predictions for the next year?
- What are some common mistakes people make with investments?
- Do you have any investments? Do you think you will in the future?
- What do you think of cryptocurrency? Do you think it's a good investment?
- Does your country have any companies you would consider buying stocks in?
- What do you think the difference is between investing and speculation?



### 1. Read the quotes below with a partner and discuss if you agree or disagree with them.

“How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.” – *Robert Allen*

“If you are not willing to own a stock for 10 years, do not even think about owning it for 10 seconds.” – *Warren Buffet*

“The biggest risk of all is not taking one.” – *Mellody Hobson*

“Invest in a business that any idiot can run. Because sooner or later, an idiot is probably going to run it.” – *Peter Lynch*

“Be fearful when others are greedy. Be greedy when others are fearful.” – *Warren Buffett*

“The individual investor should act consistently as an investor, not as a speculator.” – *Benjamin Graham*.

“In the short run, the market is a voting machine. In the long run, it is a weighing machine.” – *Benjamin Graham*

“Knowing when to sell is much harder than knowing when to buy” – *Naved Abdali*

“You should welcome a bear market, since it puts stocks back on sale” – *Jason Zweig*

“Unfortunately, in a recession, the people who suffer aren't the rich but the wanna-be rich and the poor.” – *Robert Kiyosaki*

 2. Read the text and choose the correct word from the options below for each gap.

Stocks

Stocks are almost certainly the most well-known type of investment. When you buy a stock, you become a ..... (a) in a company, meaning you own part of that company. A stock's price can ..... (b) based on a number of factors, including the company's financial ..... (c), global economic conditions, and industry trends. Some companies pay investor's a small percentage of the stock's worth every year as a way of encouraging investors to buy and ..... (d), their stocks. These payments are called ..... (e).

- |                         |                       |                 |                       |
|-------------------------|-----------------------|-----------------|-----------------------|
| (a) 1. stockbuyer       | <b>2. stockholder</b> | 3. board member | 4. purchaser          |
| (b) <b>1. fluctuate</b> | 2. compete            | 3. imitate      | 4. return             |
| (c) 1. impact           | 2. marketing          | 3. credit       | <b>4. performance</b> |
| (d) 1. invest           | 2. retire             | 3. sell         | <b>4. hold</b>        |
| (e) 1. leverages        | <b>2. dividends</b>   | 3. demands      | 4. debts              |

Index Funds

An index fund is an investment that is designed to track a whole market or industry as ..... (a) to investing in a single company. For example, if an investor believes the oil industry will be particularly ..... (b) for the next few years, they can invest in an index fund that simply invests in the 100 biggest oil companies around the world. This is seen by many as a convenient way to ..... (c) your investment portfolio, thereby reducing ..... (d).

- |                         |                   |                      |                |
|-------------------------|-------------------|----------------------|----------------|
| (a) 1. indicated        | 2. collected      | <b>3. opposed</b>    | 4. regards     |
| (b) 1. relentless       | 2. stagnant       | <b>3. profitable</b> | 4. generous    |
| (c) <b>1. diversify</b> | 2. upgrade        | 3. stabilise         | 4. renew       |
| (d) 1. stocks           | 2. profit margins | 3. taxes             | <b>4. risk</b> |




## Bonds

Bonds are different to stocks or index funds in that an owner of a bond does not own a part of a company. A bond is when an investor ..... (a) money to a company or government on the understanding that it will be paid back at a later date, with ..... (b). Most bonds (particularly government bonds) are ..... (c) to be lower risk than stocks, as their profitability does not depend on the company's stock price. However, bonds also generally produce lower ..... (d) than stocks.

- |                          |                 |               |                   |
|--------------------------|-----------------|---------------|-------------------|
| (a) 1. credits           | <i>2. lends</i> | 3. relays     | 4. borrows        |
| (b) <i>1. interest</i>   | 2. mark-ups     | 3. guarantees | 4. leverage       |
| (c) <i>1. considered</i> | 2. delegated    | 3. generated  | 4. maximised      |
| (d) 1. buy-back          | 2. inheritance  | 3. confidence | <i>4. returns</i> |




 3. Pairwork: you and your partner have one million dollars, and must make an investment portfolio together using the investment options below. Read through the options and decide how much money to invest in each with your partner. Try to diversify your investments.

Note: if you are familiar with another investment, feel free to include that.

- High risk, high reward stocks in technology startups.
- An index fund that tracks the S&P 500 (the 500 biggest companies in the USA).
- Cryptocurrencies such as Bitcoin and Ethereum.
- An index fund that tracks the hundred biggest companies in your country.
- Stocks in large American banks such as JP Morgan and Bank of America.
- A large, relatively stable company that makes solar panels.
- Very low risk government bonds that will pay an interest of 7.5% after 5 years.
- A real estate investment fund that buys and develops commercial properties in developing countries.

 **4. Use the phrases to make sentences to explain the choices you made in exercise 3.**

- a) We decided to ..... *e.g. "invest heavily in government bonds, because they are low risk"* .....
- b) We thought it would be a good idea to.....
- c) It seemed sensible to .....
- d) At the moment our best course of action is to .....
- e) We decided against .....
- f) We avoided investing in .....
- g) It might not be the best idea to .....
- h) We couldn't decide between .....
- i) We're leaning towards .....
- j) At first we thought.....

 **5. Now make a small presentation to your class explaining the investment portfolio you and your partner have decided on while using some of the sentences from exercise 4. Your presentation should include:**

- What is in your portfolio, and why.
- What investments you chose to avoid and why.
- A somewhat realistic projection for what you think the ROI might be after 10 years.
- What you think the potential risks are.
- A conclusion that attempts to convince your class that your portfolio is the best investment.



 6. You are going to watch a video about stocks which contains the words in the box. Use the words to complete the sentences below.

speculation	determined	vice versa	inflation
reflect	exploit	balances out	foolproof

- Over time, money loses value because of *inflation*.
- The value of a company is not just *determined* by how profitable they are at the moment, but how profitable they are expected to be in the future.
- He thought the plan was *foolproof*, but everything went wrong.
- Short term *fluctuations* in stock prices reflect public opinion.
- We can eat lunch and then go out, or *vice versa*
- Sometimes you win, sometimes you lose, in the long run it all *balances out*
- There are some exciting opportunities here that a smart investor can *exploit*.
- Investing is usually long term, lower risk, whereas *speculation* is short term, high risk.

 7. Watch "How do investors choose stocks?"<sup>1</sup> and answer the questions.

- How many companies are listed on stock exchanges worldwide? *Over 43,000*
- According to the video, what determines the value of a stock? *The number of buyers and sellers trading it.*
- What is the S&P 500? *An index of the 500 largest companies in USA*
- In your own words, what does the phrase "the stock market is a voting machine in the short term and a weighing machine in the long term" mean?
- What are the two main groups of investors? *Active investors, who try to pick stocks and profit from short term fluctuations, and passive investors, who simply try to follow the market and general upward trend of the market.*
- According to the narrator, what proves that investing is not an exact science? *Because if there was one foolproof way to make money, everyone would be doing it.*

<sup>1</sup> [https://www.youtube.com/watch?v=CMQLdJa64Wk&ab\\_channel=TED-Ed](https://www.youtube.com/watch?v=CMQLdJa64Wk&ab_channel=TED-Ed)