**Trading Journal**

|  |  |
| --- | --- |
| **Name:** |  |

*All due dates announced in class. See Appendices for Instruction and Grading.*

**Trading Assignment 1: Value and Growth**

Identify and buy three value and three growth stocks. I recommend you use the stock screener at <https://finviz.com/screener.ashx> as well as your own research (see endnotes).[[1]](#endnote-1) Invest a minimum of $10,000 (but no more than $20,000) in *each stock*. Complete the table below. An example is provided in light gray text:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Amount Invested** | **Price per Share** | **Date of Trade** | **Value or Growth** |
| 0.) *Richmond Inc. (RIC)* | $12,000 | $148.48 | 1/13/2024 | Value |
| 1.)  |  |  |  |  |
| 2.)  |  |  |  |  |
| 3.)  |  |  |  |  |
| 4.) |  |  |  |  |
| 5.) |  |  |  |  |
| 6.) |  |  |  |  |

For *each* stock, explain what makes it “value” or “growth” in the space below. You should describe firm characteristics and ratios to make your case. *(Max 300 words.)*

|  |
| --- |
|  |

Never sell out of your three value and three growth positions. You are welcome to invest more in each as you wish.

**Trading Assignment 2: Earnings Announcements**

Visit the [NASDAQ earnings calendar](https://www.nasdaq.com/market-activity/earnings) to find companies that are about to announce their earnings. Find a company you haven’t traded in the game yet that you think will beat earnings estimates. Buy at least $10,000 worth of stock in this company the day before their announcement. Record this transaction below. *Keep this position open for at least 24 hours.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Amount Invested** | **Date of Trade** | **Date of Announcement** |
| *Richmond Inc. (RIC)* | $11,000 | 1/13/2024 | 1/14/2024 |
|  |  |  |  |

In the space below (1) indicate why you chose this stock, (2) explain how the stock moved after it announced earnings, (3) and why it moved that way. Cite an article or source explaining why it moved. *(Max 150 words.)*

**Trading Assignment 3: Price Contingent Orders**

## Shorting & Buy Stop

Short at least $10,000 of a stock you haven’t traded in the game before. Then, place a “[good-til-cancel](https://www.investor.gov/introduction-investing/investing-basics/glossary/good-til-cancelled-order#:~:text=A%20Good%2DTil%2DCancelled%20(,vary%20from%20broker%20to%20broker.)” *buy stop* order for the same number of shares. Your buy stop order price should be between 5% and 15% greater than the price you received when you shorted.[[2]](#footnote-1) Record this transaction below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Amount Earned from Short** | **Price per Share** | **Stop Order Price** | **Date of Trade** |
| *Richmond Inc. (RIC)* | $11,000 | $48 | $53 | 1/13/2024 |
|  |  |  |  |  |

In the space below (1) provide your rationale for shorting this stock and (2) state what your maximum loss is if you had no buy stop and what your maximum loss is with the buy stop. *(Max 150 words.)*

## Long & Sell Stop

Buy at least $10,000 worth of a stock you haven’t traded in the game before. Record this transaction below. Then, place a “[good-til-cancel](https://www.investor.gov/introduction-investing/investing-basics/glossary/good-til-cancelled-order#:~:text=A%20Good%2DTil%2DCancelled%20(,vary%20from%20broker%20to%20broker.)” *sell stop* order for the same number of shares. Your sell stop order price should be between 5% and 15% below the price you paid for the shares. Record the details below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Amount** | **Price per Share** | **Stop Order Price** | **Date of Trade** |
| *Richmond Inc. (RIC)* | $14,000 | $100 | $90 | 1/13/2024 |
|  |  |  |  |  |

In the space below (1) provide your rationale for buying this stock and (2) state what your maximum loss is if you have no sell stop, and what your maximum loss is with the sell stop. *(Max 150 words.)*

|  |
| --- |
|  |

## Long & Sell Limit

Buy at least $10,000 worth of a stock you haven’t traded in the game before. Record this transaction below. Then, place a “[good-til-cancel](https://www.investor.gov/introduction-investing/investing-basics/glossary/good-til-cancelled-order#:~:text=A%20Good%2DTil%2DCancelled%20(,vary%20from%20broker%20to%20broker.)” *sell limit* order for the same number of shares to exit your long position if the price reaches the limit. Your sell limit order price should be between 5% and 15% above the price you paid for the shares. Record the details below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Amount** | **Price per Share** | **Limit Order Price** | **Date of Trade** |
| *Richmond Inc. (RIC)* | $12,000 | $88 | $99 | 1/13/2024 |
|  |  |  |  |  |

In the space below (1) provide your rationale for buying this stock and (2) state how much your maximum gain is if you have no sell limit, and what your maximum gain is with the sell limit. *(Max 150 words.)*

|  |
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|  |

## Buy Limit

Set a “[good-til-cancel](https://www.investor.gov/introduction-investing/investing-basics/glossary/good-til-cancelled-order#:~:text=A%20Good%2DTil%2DCancelled%20(,vary%20from%20broker%20to%20broker.)” *buy limit* order for a stock you haven’t traded in the game before in an amount of at least $10,000. Your limit order price should be between 5% and 15% below the current stock price. Record this transaction below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Current Price** | **Limit Order Price** | **Total amount of order (Limit Order Price x Shares)** | **Date of Order** |
| *Richmond Inc. (RIC)* | $340 | $305 | $10,065 | 1/13/2024 |
|  |  |  |  |  |

In the space below discuss (1) why you are setting a buy limit and why you chose that limit price rather than just buying the stock outright and (2) a risk of setting a buy limit below a stock’s price. *(Max 150 words.)*

**Trading Assignment 4: Options**

## Calls

Purchase a call option on a stock you have not traded in the game before. The total cost of your purchase should be at least $10,000.[[3]](#footnote-2)Record this transaction below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Premium per Share** | **X Price per Share** | **Stock’s Current Price** | **Expiration Date** | **Contracts Purchased** | **Total Cost** |
| *Richmond Inc. (RIC)* | *$3* | *$104* | *$107* | *6/20/2030* | *34* | *$10,200* |
|  |  |  |  |  |  |  |

In the space below discuss (1) why are you bullish on this stock and (2) why you are buying an option on this stock instead of buying the stock itself? *(Max 150 words.)*

## Puts

Purchase a put option on a stock you have not traded in the game before. The total cost of your purchase should be at least $10,000. Record this transaction below. *Keep this position open for at least 24 hours.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name and Ticker of Stock** | **Premium per Share** | **X Price per Share** | **Stock’s Current Price** | **Expiration Date** | **Contracts Purchased** | **Total Cost** |
| *Richmond Inc. (RIC)* | *$1* | *$41* | *$44* | *6/20/2030* | *100* | *$10,000* |
|  |  |  |  |  |  |  |

In the space below discuss (1) why are you bearish on this stock and (2) why you are buying an option on this stock instead of shorting the stock itself? *(Max 150 words.)*

**Trading Assignment 5: ETFs and Mutual Funds**

Long an ETF you are bullish on. Short an ETF you are bearish on. Buy an actively managed mutual fund. Each position should be for a minimum of $10,000. *Optional*: you may protect your short position with a buy stop of 5-10% above the current price. Record these transactions below. *Keep each of these positions open for at least 24 hours.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Ticker & Name** | **Price per Share** | **Total Investment** | **Date** |
| *Long ETF* | *SIIT – Technology ETF* | *$30* | *$12,000* | 1/13/2024 |
| *Short ETF* | *LLSV – Industrials ETF* | *$10* | *-$11,000* | 1/13/2024 |
| *Active MF* | *ABC – Large Cap Active Fund* | *$150* | *$30,000* | 1/13/2024 |
| Long ETF |  |  |  |  |
| Short ETF |  |  |  |  |
| Active MF |  |  |  |  |

In the space below (1) explain why you are bullish and bearish on these ETFs and (2) what’s the investing goal or purpose of the active mutual fund? *(Max 150 words.)*

**Trading Assignment 6**

Trading Assignment 6 will be distributed separately and due at the conclusion of the trading game. *Be sure to actively trade throughout the semester. Failure to do so can result in a loss of up to 3 points.*

**Appendix 1: Instructions**

Over the course of the semester, you will construct and monitor a $250,000 portfolio. Outside of completing the tasks I ask of you in this document, *you are free to trade however you’d like at any time*. In this document, you only need to record and discuss the things I ask about. This document, which includes Trading Assignments 1 through 5, will be due around the midpoint of the semester, while a different document with Trading Assignment 6 will be due after the conclusion of the trading game. Pay attention in class for due dates.

You may trade stocks, bonds, futures, international companies, crypto, forex, etc. There are very few restrictions otherwise. *There is a negative interest rate on cash to encourage you to trade rather than hoard cash.*

# Registration Link & User Guide

To register, visit the link below. Your username must be an available combination of your first and last name (i.e., wbuffet, emusk, jeffbezos) and will be publicly viewable in the class leaderboards.

**Registration opens Monday 1/15
Trading begins Monday, 1/22
Trading ends Friday , 4/12**

Click this link to register:

<https://www.stocktrak.com:443/members/register?session=UR-Fin66-Spring24>

A user guide for Stock|Trak is available here:

<https://content.stocktrak.com/stocktrak-student-user-guide/>

# The Johansen – Lang – Mtimet Rule

Former students found clever ways to turn their $250,000 original investment into as much as $340,000,000 (a 135,900% gain!) by exploiting loopholes in the trading software. These students were very open and candid with me about their techniques throughout the semester, so I happily permitted them to continue their strategies and awarded them top traders of their semester.

Moving forward, however, you must make sure all your trades are *implementable in the real-world* and do not exploit any of the software’s programming errors. Please report any errors you find to me.

The highest value ever reached using traditional techniques was $412,790, a return of over 65%.

**Appendix 2: Points and Grading**

You earn points based on completing the trading tasks and on the quality of explanations and writing. All trading assignments must be completed before the deadlines announced in class.

|  |  |  |
| --- | --- | --- |
| **Section** | **Description** | **Points** |
| TA1. Value and Growth | Investing in Growth and Value Stocks | 8 |
| TA2. Earnings Announcement | Buying a stock before an earnings announcement | 6 |
| TA3. Price Contingent Orders | Stop orders and limit orders with longs and shorts  | 8 |
| TA4. Call and put options | Buy a call and put option | 8 |
| TA5. ETFs and Mutual Fund | Long ETF, Short ETF, buy a mutual fund | 8 |
| TA6. Reflection | Discussing your performance and results | 7 |
| Performance\* | How well you do relative to your peers\* | 1 to 5 |
| **Total Points (sum of points from all sections)** | **50** |
| BONUS: Performance | 3 bonus points if your portfolio value exceeds the professor’s portfolio value at the conclusion of the game | +3 |
| PENALTY: Not actively trading | You should trade at least once every two weeks. Failure to do so can result in a penalty of up to 3 points. | -3 |
| **Total Possible with Bonus** | **53/50** |

\*A very small percentage of your grade is based on your performance relative to the class, as shown in the table below. *Even if you are the worst performer, an “A-” for the Trading Game overall is possible!*

|  |  |  |
| --- | --- | --- |
| **Performance (raw percent change)** | **Points** | **Max Score Possible Before Bonus** |
| 5th Quintile of Class (Top 20%) | 5 | 50/50 = 100% |
| 4th Quintile of Class | 4 | 49/50 = 98% |
| 3rd Quintile of Class | 3 | 48/50 = 96% |
| 2nd Quintile of Class | 2 | 47/50 = 94% |
| 1st Quintile of Class (Bottom 20%) | 1 | 46/50 = 92% |

1. There are several tools you can use to conduct research at <https://www.josephfarizo.com/#resources>. I recommend Morningstar, IBISWorld, and S&P NetAdvantage, along with the FINVIZ stock screener. Keep in mind the Bloomberg Terminals in the Lessing Trading Floor are available. [↑](#endnote-ref-1)
2. Follow these steps: *My Portfolio → Open Positions → click “TRADE” next to the stock you shorted → choose “Cover” from the Action dropdown → choose “Stop” from the Order Type dropdown → input your stop order price*. [↑](#footnote-ref-1)
3. Remember that options are quoted on a per share basis, but each one option is for 100 shares.For example, if an option’s premium is $5, purchasing 1 contract will cost $500, or $5 × 100. Thus, you would need to purchase a minimum of 20 options on this stock because $5 × 100 × 20 = $10,000. [↑](#footnote-ref-2)