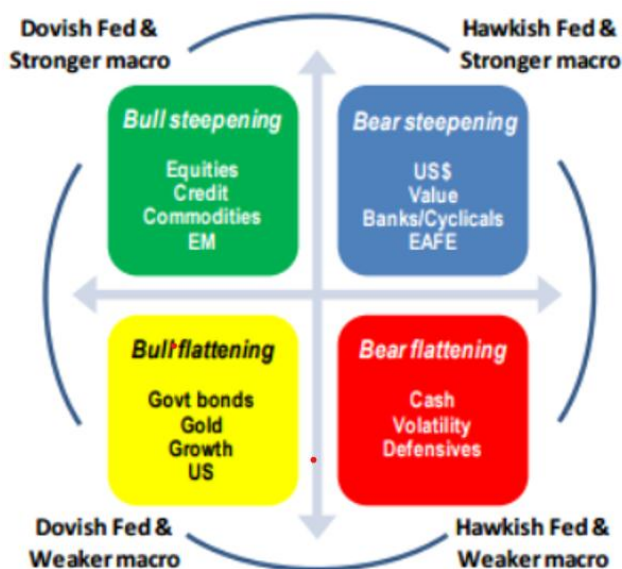


Fundamental analysis attempts to study factors that can affect a security's value, including macro-economic factors (like the overall economy and industry conditions) and company-specific factors (like financial conditions and management).

1. The website of FIN129 (Student-Managed Investment Funds) is a useful source:
<https://smifclub369.com>
2. Highly recommended readings:
 - Wall Street Journal: [free sign-in via Fresno State](#)
 - Barron's (\$1/week): <http://barrons.com/studentoffer> or available through library
 - [Value Line Investment Survey](#) (library)
3. Highly recommended websites and TV programs:
 - MarketWatch: <http://www.marketwatch.com>
 - CNBC: <http://www.cnbc.com>
 - CNBC TV (Channel 18 on Comcast, 208 on Dish, 355 on DirectTV)
 - CNBC's Halftime Report or similar programs: <https://www.cnbc.com/halftime/>
 - CNBC's Mad Money with Jim Cramer: <https://www.cnbc.com/mad-money/>
 - CNBC's Investing Club with Jim Cramer: <https://www.cnbc.com/investingclub/>
 - Investor's Business Daily: <https://www.investors.com/>
 - Economic Calendar: <https://tradingeconomics.com/calendar>
 - Perplexity.Ai: <https://www.perplexity.ai/finance>
4. Basic stock research using <https://finance.yahoo.com/quote/PWR/>
 - Profile (understand its lines of business) and Statistics
 - Summary (check past 3~6 months headline news)
 - Analysis (check the company's earnings (EPS) history, trends, and future earnings):
<https://finance.yahoo.com/quote/PWR/analysis/>
5. Create tracking portfolio using <https://finance.yahoo.com/portfolios/>
 - Track 10~20 stocks regularly
 - Input 100 shares and today's closing price as the purchase price
6. How to spot good stocks?
 - Value (relative cheap valuation) vs. Growth (fast growth in EPS) investing styles
 - Good stock ≠ Good company
 - Look for broken stocks, not broken companies
 - Choose from companies around you if you don't know where to start
 - Follow stocks that are involved with current events/news
 - Follow stocks that are tied closely to "future" domestic and/or global economies
7. Other checklists
 - Bullish (↑) vs. Bearish (↓) sentiments from consumers and commentators
 - Check the stocks' relative performance against competitors
 - Any earnings misses in the past four quarters?
 - What's the EPS growth for next year? High enough vs. expectation?
 - Compare current P/E and forward P/E against the past 10 years (check Morningstar.com)
 - Technical analysis – entry/exit point relative to recent high and low

8. Major Sectors: consumer discretionary (XLY), consumer staples (XLP), energy (XLE), financials (XLF), healthcare (XLV), industrials (XLI), technology (XLK), communication services (XLC), and utilities (XLU). Sector rotations coincide with economic cycles. Choose the right sectors at the right times first, and then select individual stocks within the sector.



Bull market: XLB, XLE, XLF, XLI, XLK, & XLY tend to do well.

Bear market: XLC, XLP, XLU, & XLV tend to do well.

Jim Cramer's checklist of what an investor should analyze when researching a company

“Bulls and Bears make money, but Hogs get slaughtered.”

- There must be demand for the company's products.** Nike's been creating demand for decades, thanks to the “cool factor” supported by sharp advertising and clothing that looks good, feels comfortable and lets everyone know you're an athlete.
- The company's total addressable market.** In other words, how big the market is for its products. Cramer also likes to know where it sits in the pecking order. Nike is the dominant player in footwear and number two in apparel.
- Are there any catalysts that can power the stock higher?** Nike has several catalysts, like the Summer Olympics.
- Other ways to look into the future.** Nike has a company-specific key metric called future orders, which allows customers to order merchandise six months ahead.
- The company's ability to pass costs onto the customers.** Nike made it clear in the conference call that it had no trouble passing on raw costs through price increases, Cramer said.
- It's important to understand the geographic breakdown of the business.** Nike's fastest growing geographies are emerging markets, which is up 26 percent year-over-year. China is up

28 percent and the U.S. is up 21 percent. Western Europe and Japan are still challenging environments, but they're offset by the strength elsewhere.

7. **Wall Street loves accelerating revenue growth.** Nike has this across multiple product categories in both developed and developing markets.
8. **Inventory.** When companies with retail components have too much inventory, it can be a problem since they'll have to discount the older products before bringing in a new product. Nike's unit inventory growth outpaced its sales growth, but since absolute unit levels have "plateaued," Cramer is not concerned.
9. **Good companies are always reinventing themselves and their products.** Nike is doing this, Cramer said, with new technology in its shoes and marketing.
10. **Company culture.** Nike is focused on improving the way they work. This is the least important item.

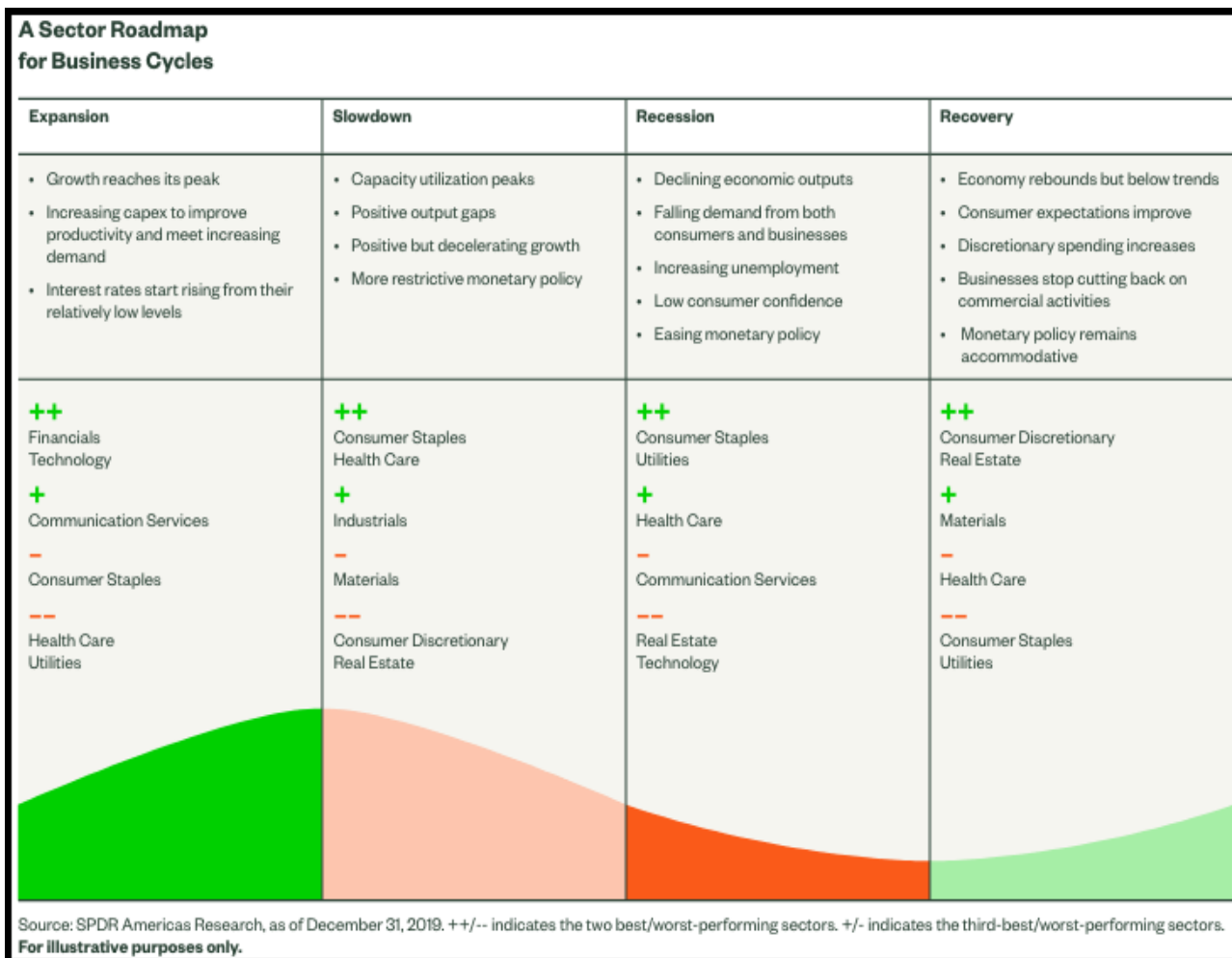
When Jim Cramer worked at his hedge fund, he asked analysts the following eight questions:

1. What's going to make this stock go up, besides the stock market?
2. Why is it going to go up? Is there something time sensitive?
3. Is this the best time to buy it?
4. Have you missed a lot of the move? How much has the stock gone up without you? Is it extended on a technical basis?
5. Should you wait until it comes down a bit more? What's the harm?
6. What do you know about this stock that others are missing? Is your instinct to buy based on general knowledge, and you're working on a herd mentality? Have you listened to the conference calls and done the research, or are you flying blind?
7. What do you actually know about the company and sector? Do you have personal knowledge? Do you know how the cloud works or where it lies in the sector's food chain?
8. Do you like this stock more than others you own and why? Is there anything to get rid of before buying this stock?

Here is a list of Bob Farrell's 10 rules:

1. Markets tend to return to the mean overtime
2. Excesses in one direction will lead to an opposite excess in the other direction
3. There are no new eras — excesses are never permanent
4. Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways
5. The public buys the most at the top and the least at the bottom
6. Fear and greed are stronger than long-term resolve
7. Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names
8. Bear markets have three stages — sharp down, reflexive rebound and a drawn-out fundamental downtrend

9. When all the experts and forecasts agree — something else is going to happen
10. Bull markets are more fun than bear markets



The biggest self-defeating mistakes investors make in trying to beat the market

A few of the big ones Charles Ellis addresses in his book:

- **The gambler’s fallacy:** The belief that because you were right picking one stock, you will be right picking all other stocks.
- **Confirmation bias:** Seeking information that confirms pre-existing beliefs.
- **Herd mentality:** Blindly following actions of a larger group.
- **Sunk cost fallacy:** Continuing to invest in failing investments.
- **Availability:** Being influenced by easily accessible information, whether it is actually valuable or not.