

Stock Market Simulation

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By

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Abstract

This goal of the project is to conduct an eight-week stock market simulation, compare and analyze the results from the simulation using two different trading strategies (buy and hold, and swing trading). Each strategy started the simulation with \$100,000 and targeted different stocks to invest in based on their goals. Based on the findings of the simulation, swing trading is a more risky trading strategy but has the potential to have higher returns. “Buy and hold” strategy was less risky, but it did not have as much potential for immediate returns. The project overall gave the reader a solid understanding of the benefits and risks associated with both trading strategies which can help guide future investments.

Table of Contents

Abstract.....	2
Table of Figures	4
Table of Tables	5
1. Introduction.....	6
1.1 Goals, Scope, and General Plan.....	6
1.2 Stock Market History.....	6
1.3 What is a Stock?	7
2. Strategies.....	9
2.1 Buy and Hold.....	9
2.2 Swing Trading	9
3. Buy and Hold Strategy Simulation	10
3.1 Introduction	10
3.2 Companies Selected.....	10
3.3 Weekly Trading Reports.....	13
3.3.1 Week 1	13
3.3.2 Week 2	16
3.3.3 Week 3	19
3.3.4 Week 4	21
3.3.5 Week 5	24
3.3.6 Week 6	26
3.3.7 Week 7	29
3.3.8 Week 8	31
4. Swing Trading Simulation	34
4.1 Introduction	34
4.2 Weekly Trading Reports.....	34
4.2.1 Week 1	34
4.2.2 Week 2	39
4.2.3 Week 3	43
4.2.4 Week 4	47
4.2.5 Week 5	50
4.2.6 Week 6	55
4.2.7 Week 7	58
4.2.8 Week 8	64
5 Comparing and Analyzing the Two Strategies	69
6 Conclusion	72
7. References.....	73

Table of Figures

Figure 3.1- Percent Change of Markets and Total Investments Week 1	16
Figure 3.2- Percent Change of Markets and Total Investments Week 2	19
Figure 3.3- Percent Change of Markets and Total Investments Week 3	21
Figure 3.4 – Percent Change of Markets and Total Investments Week 4.....	24
Figure 3.5 – Percent Change of Markets and Total Investments Week 5.....	26
Figure 3.6 – Percent Change of Markets and Total Investments Week 6.....	29
Figure 3.7 – Percent Change of Markets and Total Investments Week 7.....	31
Figure 3.8 – Percent Change of Markets and Total Investments Week 8.....	33
Figure 4.2.1.1 – Stock Price of USAT from May 6th to June 7th	35
Figure 4.2.1.2 – Stock Price of CRM from May 6th to June 12th.....	36
Figure 4.2.1.3 – Stock Price of CPB from May 6th to June 12th	37
Figure 4.2.1.4 – Stock Price of CALM from May 12th to June 19 th	38
Figure 4.2.2.1 – Stock Price of FIVE from May 13th to June 21st	39
Figure 4.2.2.2 – Stock Price of AVGO from May 21st to June 28th.....	41
Figure 4.2.2.3 – Stock Price of LULU from May 21st to June 28th	42
Figure 4.2.2.4 – Stock Price of ADBE from May 21st to June 28th	43
Figure 4.2.3.1 – Stock Price of ORCL from May 29th to July 8th.....	45
Figure 4.2.3.2 – Stock Price of KMX from May 29th to July 11th	46
Figure 4.2.4.1 – Stock Price of MPAA from June 3rd to July 19th.....	48
Figure 4.2.4.2 – Stock Price of KBH from June 3rd to July 19th.....	49
Figure 4.2.4.3 – Stock Price of SMPL from June 3rd to July 19th.....	50
Figure 4.2.5.1 – Stock Price of SAR from June 11th to July 22nd.....	52
Figure 4.2.5.2 – Stock Price of WDFC from June 18th to July 22nd.....	53
Figure 4.2.5.3 – Stock Price of BBY from June 21st to July 26 th	54
Figure 4.2.6.1 – Stock Price of AIR from June 21st to July 26th.....	55
Figure 4.2.6.2 – Stock Price of C from June 26th to July 30th.....	58
Figure 4.2.7.1 – Stock Price of JBHT from June 26th to July 30th.....	59
Figure 4.2.7.2 – Stock Price of UNP from July 1st to August 1st	61
Figure 4.2.7.3 – Stock Price of PBCT from July 1st to August 8th.....	62
Figure 4.2.7.4 – Stock Price of RPM from July 1st to August 8 th	63
Figure 4.2.8.1 – Stock Price of ARCH from July 8th to August 12th	65
Figure 4.2.8.2 – Stock Price of HSY from July 9th to August 12th	67

Table of Tables

Table 3.1- Buy and Hold Stock Prices After Week 1	15
Table 3.2 – Buy and Hold Stock Prices After Week 2	18
Table 3.3- Buy and Hold Stock Prices After Week 3	21
Table 3.4 – Buy and Hold Stock Prices After Week 4	23
Table 3.5 – Buy and Hold Stock Prices After Week 5	26
Table 3.6 – Buy and Hold Stock Prices After Week 6	28
Table 3.7 – Buy and Hold Stock Prices After Week 7	31
Table 3.8 – Buy and Hold Stock Prices After Week 8	33
Table 4.2.1 – Summary of Trades Week 1	38
Table 4.2.2 – Summary of Trades Week 2	43
Table 4.2.3 – Summary of Trades Week 3	47
Table 4.2.4 – Summary of Trades Week 4	50
Table 4.2.5 – Summary of Trades Week 5	54
Table 4.2.6 – Summary of Trades Week 6	58
Table 4.2.7 – Summary of Trades Week 7	63
Figure 4.2.8 – Summary of Trades Week 8	68

1. Introduction

1.1 Goals, Scope, and General Plan

Over the course of eight weeks the goal of this project is to learn about different trading methods and how the stock market generally works to be able to be a successful investor in the future. To accomplish these goals, I will first gain the necessary background knowledge by reading different articles online and investment books by successful traders Warren Buffett and Jim Cramer. After I finished with my research I will create two different accounts each with \$100,000 in them to account for the average amount in a 401k account and use this to see how buy and hold trading compares to swing trading. The results of the simulation will be reported on each week with a summary of what happened that week and the resulting changes to the accounts. The base line for the entire project will be the S&P 500 and the percentage change over the course of the week with the goal to beat it. In doing so I will have a benchmark and way to determine if I was a successful trader or not over the course of the eight-week simulation.

1.2 Stock Market History

The NYSE as known today was formed back in 1792 in New York where it had little restrictions and traded shares of companies. While this was not the first stock exchange in the United States the NYSE would grow to be the largest in the world over the next hundreds of years. The NYSE was able to grow so quickly mainly due to the proximity to the local ports and banks in the area. The NYSE was able to regulate the market by setting requirements of companies before they could start being traded in the market. To raise money for the NYSE they would have a fee that came along with doing any type of trading and because of this they were able to generate a large sum of revenue as popularity of the exchange grew.¹

The NYSE reigned supreme as the go to place to trade until 1971 when the Nasdaq came onto the scene offering a new way to trade.¹ The Nasdaq was the first exchange that was confined to a single location because everything involved in buying and selling was done through computers.² This new innovation to the stock exchange was a complete game changer which forced all the major exchanges to follow or be left in the dust of the past. This new technology also came with benefits as trades were now being done more efficiently and helped reduce the bid-ask spread. This new way of trading ushered in the era of the stock market that is known today and would not have been possible without the innovation from the Nasdaq.

1.3 What is a Stock?

Before anyone starts investing in the stock market they first must know what a stock is and what it represents. The biggest misconception about stocks is that by owning a stock you own a piece of the company when this is not the case.³ The main weight that a stock carries is the value of having a share in the profits of the company which is received in the form of dividends.⁴ Not all companies pay dividends as they reinvest their profits back into the business so how do their stock prices cost more than those that pay a dividend?

Stocks gain and lose value based on a few different variables which can have small or large effects based on the magnitude of the change. One factor is profitability and the growth of a company. Companies that have potential to increase in size and generate more profits in the future can see their stock grow two to three times in value as they grow as a company. The second major value a stock has is the dividend it pays out to the shareholders usually on a quarterly basis.³ In the case of a company reinvesting the profits back into the company stock value can still go up but mainly due to the other factors. The third major factor that gives a stock its value is the supply and demand for the stock itself as determined by the consumers. As more people buy stock in a

company the price of that stock will naturally rise and as people sell the price will fall. When a substantial amount of people either want to buy or sell their shares the stock price can see very volatile movement up or down.⁴

Now that we understand how stocks get their price and how they move we can now begin to understand where they come from in the first place and who we are buying or selling them to. When a company goes public for the first time they will have an IPO where they release a certain number of shares into the market for the consumers to buy.⁵ Once they reach the limit of shares they are willing to sell to the public the company is no longer issuing shares and the only way to get shares is to buy it from someone else. So most of the time when trading the consumer is buying from other stock holders that are willing to let go of some of their stocks. The only time a company will buy stocks is when they do a buy back and the goal of this is to reclaim some of the outstanding shares of the company and retain more ownership.⁵

2. Strategies

2.1 Buy and Hold

Investing has a wide range of strategies that people use based on the amount of risk they are willing to take on. One of the more risk averse strategies that is used is a buy and hold. The goal of a buy and hold is to sit on a company's stock for a long period of time in the hope of having a greater return than bonds. This strategy is not very risky when large, stable companies are selected with decent dividend payments each quarter.⁶ Though this may sound like just buying and just holding it until there is no longer a need for the stock this is not advisable. With any investment strategy it is best to continue to watch and monitor the health of the company through the financial reports to ensure the investment for the long term is still beneficial. Some like Jim Cramer call this buy and homework to avoid misleading investors into practicing lazy investing.⁷

2.2 Swing Trading

Those investors who are looking for a more hands on and a faster turnover rate in their portfolio may lean towards swing trading. Swing trading is trading on a shorter time frame with the goal of capturing the short-term movements of a stock. This strategy differs from day trading in terms of the length of time a stock is held as swing trading can hold a stock for anywhere from one to sixty days.⁸ Swing traders use the past charts to help try and predict where to set the price points to buy and sell a certain stock. They will also use different financial metrics to aid their analysis to spot potential opportunities to make quick gains. The main parameter in swing trading is the risk/reward that the investor is willing to take on and can be the success or failure of their investments.⁹

3. Buy and Hold Strategy Simulation

3.1 Introduction

Buy and hold strategy is an investment strategy that is best for someone who wants to put their money into a low risk environment while still creating some gains. When looking at stocks that one would invest in to hold onto for long periods of time it is best to look at companies that are established and pay a relatively good dividend. This ensures that there will be a consistent income so the investments don't stagnate and continue to grow with time and the market. To offset the risk that comes with investing its best to spread out what companies one invests in across different industries that way if one industry gets hit hard it doesn't devalue the entire portfolio.

Over the course of the 8-week simulation I selected 10 stocks that were spread out over different industries, paid a good dividend, and paid a dividend in the time frame of the simulation. For each company that I chose to invest in I put in \$10,000 so the total initial investment would equal \$100,000 which is the average amount of a 401K account.

3.2 Companies Selected

Iron Mountain (IRM): Iron Mountain was founded in 1951 and is one of the world leaders in data storage and protection. With more than 225,000 customers and 85 Million square feet of buildings in 50 different countries worldwide they are the best at what they do. If you have highly sensitive information that you need to keep safe or physical items that you need to protect than Iron Mountain is your best option.¹⁰ Iron mountain pays an annual dividend of 7.3% or \$2.33 a year which is paid out on a quarterly basis.¹¹

Ford (F): The Ford Motor Company was founded in 1903 and since then has been one of leaders in car manufacturing in the world. With 199,000 employees worldwide and 11,534 dealerships as

of December 2018 Ford as a company is here to stay. Ford has had a consistent dividend payment of \$0.60 a share per year which is paid on a quarterly basis.¹²

Gannett Co. (GCI): Gannett is a media company mostly known for their newspaper USA Today which has 2.5 million daily readers and 125 million unique visitors to their website monthly. They also have 109 different local news organizations in the united states and more that 160 online news brands in the UK. In 2014 the company split in two with the publishing and digital side of the business retaining the Gannett name and trading on the NYSE under the symbol GCI.¹³ Today the stock has a dividend yield of 5.87% or an annual payout of \$0.64 which is paid out on a quarterly basis.¹⁴

Century Link (CTL): Century Link is a growing telecommunications company that provides a range of services from internet and cable to homes to being a leader in the CDN market. With the trends of increased connectivity across the world and 5G technology increase the speed at which data is processed and transmitted Century Link is in a great position to continue its growth in the united states and around the world.¹⁵ Today the stock has a dividend yield of 8.04% or a \$1 annually which is paid out on a quarterly basis.¹⁶

Six Flags Entertainment (SIX): Six Flags Entertainment is one of the leaders in amusement parks with 16 parks in the U.S. with 1 in both Mexico and Canada. All together these parks welcome in 29 million guests a year and employ 42,000 people across the parks. The parks are known for their roller-coasters as they have some of the highest coaster landscapes in the world.¹⁷ Today the stock has an annual dividend payout of \$3.28 which is given out on a quarterly basis at \$0.82.¹⁸

Exxon Mobil (XOM): Exxon Mobil was first founded in 1999 when Exxon joined Mobil to create one larger corporation. Today Exxon Mobil provides a range of different petroleum products

from gasoline to synthetic motor oil. All together the business handled approximately 2.5 Billion barrels of crude oil and had a profit of 20.840 billion dollars. Some of the money that is profited is given back to the shareholders in the form of dividends in which the dividend has consistently grown over the past 10 years.¹⁹ Today the stock has an annual dividend payout of \$3.48 which is given out on a quarterly basis at \$0.87.²⁰

AGNC Investment Corp. (AGNC): AGNC Investment is an internally managed real estate investment trust that was founded in 2008. Since their creation they have been one of the leaders in total economic and stock return. Their shareholder focus means the dividend they payout is a top priority making it a great investment for those looking for high dividend stocks.²¹ Today the stock has an annual dividend payout of \$1.92 which is given out on a monthly basis at \$0.16.²²

AT&T (T): AT&T consists of four different division with AT&T Communications and Warner Media being the largest. As a whole in 2018 they had a total revenue of 170.756 billion dollars and net income of 19.37 billion. The growth of the company looks very promising as between 2014 and 2018 they have invested 140 billion in their communications network.²³ With 5G coming soon AT&T is ready to welcome the new technology and prepared to continue their growth into the future. In addition to their investment in the future they have had a growing dividend since 2004. Today the stock has an annual dividend payout of \$2.04 which is given out on a quarterly basis at \$0.51.²⁴

Kohl's (KSS): Kohl's first opened its doors in 1962 and had only one location, since then they have expanded into 1,159 locations and brought in 20.229 billion dollars in revenue.²⁵ Over the past three years they have seen an increase in net sales from 18.636 billion in 2016 to 19.167 billion in 2018.²⁶ With their low prices and competitive business model they have been able to carve out a place in the retail space they can sustain for years to come. Ever since Kohl's started paying a

dividend in 2011 it has seen an increase from \$0.25 per quarter to \$0.67 in 2019 while showing no signs of slowing down. Today the stock has an annual dividend payout of \$2.68 which is given out on a quarterly basis at \$0.67.²⁷

Las Vegas Sands Corp. (LVS): The Las Vegas Sands Corp. is known for their luxury resort properties that delivers breathtaking design and entertainment to its guests. All together they have nine properties around the world located in Las Vegas, Singapore and China. Since implementing their capital return program in 2012 they have given \$24.8 billion to the shareholders with increasing dividend payouts every year.²⁸ Today the stock has an annual dividend payout of \$3.08 which is given out on a quarterly basis at \$0.77.²⁹

3.3 Weekly Trading Reports

3.3.1 Week 1

The buy and hold strategy that I am using here is meant to counteract the volatility in the market and make its gains mainly from the dividends. This means that the overall value of investments should move at a similar pace to the NASDAQ, S&P 500, and Dow Jones. I will be comparing the percent change from week to week to measure the success of the portfolio. I will not be focusing on the day to day movement of the stocks and instead focus more on a week to week tracking of progress. This way I can more realistically resemble someone using a long-term strategy where they track their stocks progress over longer stretches of time and try to not let the day to day movements determine their actions. The dividends that will be paid out over the course of the simulation won't be accounted for until the end and would only be a small amount of what they would actually yield relative to the entire year. At the end I will also analyze the potential success of the portfolio if the stocks had a full year to accumulate all of the dividend each stock is earning.

In the first week of the simulation stocks saw a major rise as the market bounced back after having a terrible month of May. Stocks tumbled from worries of a slowing economy and recent comments from president Trump regarding tariffs with large trading allies. The main fear regarding these tariffs was the talks from Trump about being harsh and standing his ground in regard to negotiating with China.³⁰ With China being the largest trade partner to the United States any increase in cost of doing business with them would have major consequences across many sectors. One of the hardest hit sectors was the semiconductors after Trump went after Huawei who is a major consumer of these semiconductors. With tariffs as high as 25% on these goods and no end to these tariffs in sight the trend can only continue down for this sector.³¹ Other companies like Apple who outsource most of their labor to China would also have a difficult time. Choosing between absorbing the increase of prices or increase the price of their goods could have serious repercussion on their revenue and/or their customer base. In addition, tariffs threats towards Mexico of 5% on all imports to be implemented on June 10th unless Mexico helped crack down on boarder security.³²

This bounce back from the lull of June 3rd showed positive signs as investors regained confidence in the market and potential growth ahead of Junes earnings reports being released by companies. This confidence in economic outlook can be attributed to trade talks between the U.S. and Mexico making progress as on June 6th Mexico agreed to increase their efforts on boarder security. This was then followed up with comments from Trump that there is a good chance of a trade deal being agreed to helping settle the nerves of investors.³² Other data released regarding job growth slowing and the lowest un-employment rate in 49 years lead people to believe of a potential rate cut coming from the Fed in their next meet on June 18th.³² All things accounted for it was a great week for stocks we saw the NASDAQ, S&P 500, and Dow Jones all rise by more

than 5% from their opening point on June 3rd. This great rally can only inspire confidence in investors as the potential for more future gains seems likely but not at this pace. More than likely we will see a slowdown in the growth but still have a positive coming week.

Looking at the performance of the buy and hold stocks relative to the market I am happy to see the overall value increase but unfortunately not at the same rate of market. This does make sense as the stocks are spread out over many different sectors to minimize risk but anytime the gains are less than the overall market I can't help but feel a little disappointed. Major gains from LVS and minor gains most of the other stocks really helped increase the overall value of the portfolio. The only stock that took a hit this week was Kohl's who saw a decrease off of their poor performance from last quarter. Table 3.1 summarizes the current stock price of each company invested in relative to the initial investment point. Figure 3.1 plots the percent change from week to week of the buy and hold relative to other market indexes.

			3-Jun	10-Jun		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 1	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 31.45	\$ 0.70	2.28%
Ford	F	1050	\$ 9.62	\$ 9.82	\$ 0.20	2.08%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.30	\$ 0.45	5.73%
Century Link	CTL	956	\$ 10.41	\$ 10.54	\$ 0.13	1.25%
Six Flags	SIX	202	\$ 49.26	\$ 52.66	\$ 3.40	6.90%
Exxon	XOM	141	\$ 71.09	\$ 74.91	\$ 3.82	5.37%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 16.79	\$ 0.35	2.13%
AT&T	T	327	\$ 30.72	\$ 31.93	\$ 1.21	3.94%
Kohl's	KSS	198	\$ 50.39	\$ 48.80	\$ (1.59)	-3.16%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 58.13	\$ 5.19	9.80%
		Totals	\$ 99,949.11	\$ 103,573.14	\$ 3,624.03	3.63%

Table 3.1- Buy and Hold Stock Prices After Week 1

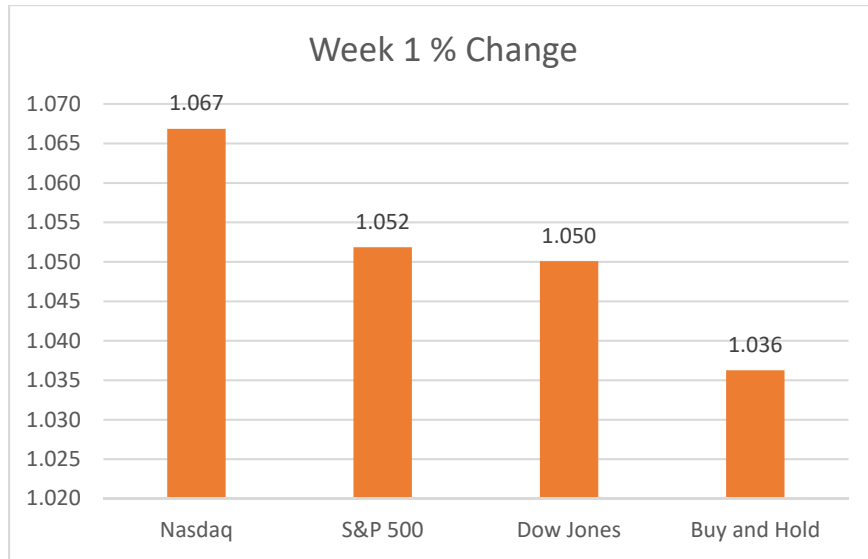


Figure 3.1- Percent Change of Markets and Total Investments Week 1

3.3.2 Week 2

In week 2 of the simulation there was a leveling off of growth after the massive previous week that we just had. This isn't a bad sign at all as keeping the pace of last week was almost impossible and would have made the market seem a bit inflated considering the current state of economic trade talks. Continuing trade talks between China and the U.S. were negative as China early in the week decided to strike back against Trump's tariffs threats.³³ China who was unhappy after last weeks trade talks decided to take a stand against the U.S. by skipping the G-20 Summit meeting.³³ While skipping a meeting may not seem major it could mark the start of a downturn of relations between the two countries. On top of this, China stated that if the U.S. continued to ramp up with the trade war that they would be left with no choice and take a firm stand against it. To help combat the negative consequences of the trade war China reassured that increased investment in their infrastructure would help negate the effects of the trade war.³³ A fallout could have devastating consequences across the market and the economy as a whole as the two countries are very dependent on each other for economic success.

While not much progress was being made on trade talks with China there was big news regarding the merger of two major companies. AT&T and Time Warner's merger which many weren't sure what would happen was approved in the courts.³⁴ This fueled a nice rally in media and telecom stocks off of speculation of more potential mergers of other larger companies. Most notable from all of the speculation was a battle between Comcast and Walt Disney over the purchase of Twenty-First Century Fox.³⁴ Anytime there is talk or rumor of a merger there is a potential for investors to make an easy profit if they pick the right company to invest in. Often after the merger is accounted or confirmed the window to make a profit has already closed so it becomes a race to be the first to get in before anything happens. This is what leads to people speculate and invest in companies without really knowing any actual facts regarding these mergers. In situations like these investors are acting like they are placing bets instead of investing which can lead to major losses or major gains. It is very risky because there is little certainty but if it does pay out you can see yourself making some very nice gains. I would not recommend doing this unless you are ok with the potential of taking a loss on the investment. On other positive news, the European Central Bank announced that they would continue their low interest rate policy keeping investment and business growing in Europe.³³ The Commerce Department reported that there was an increase in retail sales of 0.8% which may not seem like much but is the biggest increase since November 2017.³⁵ Increased consumer consumption only means good things for economy as this could mean better than expected quarterly reports from retailers and consumer confidence in the economy. On a macroeconomic scale this increase in consumer spending is great as it means that more money is moving around which creates growth as every time it passed along. When people stop spending money and prefer to save instead you can expect a slow in the economy so this increase in consumer spending is a great sign.

Looking at the investments in the buy and hold portfolio there wasn't much change as it began to make up ground after falling behind the pace of the market last week. Overall the portfolio saw a return of 4.9% from the initial investment (Table 3.2). The Dow Jones along with everyone else continued to outpace my investments at 5% and higher as seen in figure 3.2. No individual stocks did exceptionally well but having growth from some of the stocks is what saw the portfolio's value increase this week. Kohl's still is trending downwards with little sign of improving and is holding back the performance a little bit but with the consumer consumption data that came out there is a chance they can rebound come their next quarterly earning report.

			3-Jun	17-Jun		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 2	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 32.39	\$ 1.64	5.33%
Ford	F	1050	\$ 9.62	\$ 10.50	\$ 0.88	9.15%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.30	\$ 0.45	5.73%
Century Link	CTL	956	\$ 10.41	\$ 11.26	\$ 0.85	8.17%
Six Flags	SIX	202	\$ 49.26	\$ 52.00	\$ 2.74	5.56%
Exxon	XOM	141	\$ 71.09	\$ 75.09	\$ 4.00	5.63%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 16.79	\$ 0.35	2.13%
AT&T	T	327	\$ 30.72	\$ 32.20	\$ 1.48	4.82%
Kohl's	KSS	198	\$ 50.39	\$ 47.47	\$ (2.92)	-5.79%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 57.06	\$ 4.12	7.78%
		Totals	\$ 99,949.11	\$ 104,797.88	\$ 4,848.77	4.85%

Table 3.2 – Buy and Hold Stock Prices After Week 2

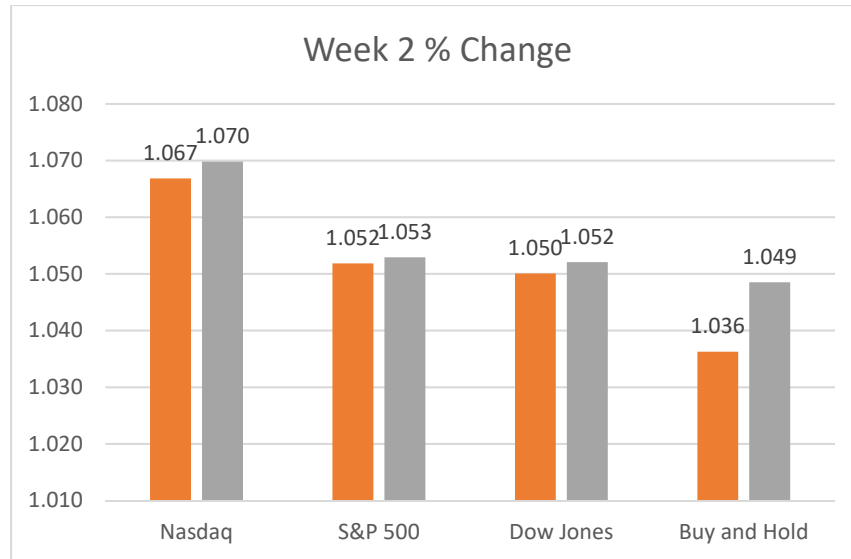


Figure 3.2- Percent Change of Markets and Total Investments Week 2

3.3.3 Week 3

In week 3 of the simulation the saw a nice upswing in the market as the S&P 500 hit an all-time new high. Though the Fed chair Powell came out and said that he wanted to see rates stay where they were a strong bunch of eight voting members voiced their support for a rate cut.³⁵ Even though this is still a minority in terms of the total number that vote on a rate cut, any news that comes out about a potential rate cut seems to get investors hoped up and rally the market. Speculation of a rate cut was also fueled by comments from the central bank saying that a cut may be coming with recent economic data pointing towards a slow in economic growth.³⁵ Despite all of this optimism of a rate cut, the Fed on June 19th unanimous voted to keep rates the same.³⁶ With the amount of times it seems the fed has gone back and forth with saying they will cut then saying they won't cut its hard to believe anything that's out there and almost best to just wait till they officially announce instead of speculating. Trade wars with China seems to have some progress as on June 18th Trump tweeted out that he had a great phone conversation with president Xi Jinping.³⁶ He also later added that he was looking forward to both teams meeting prior to the start of the G-

20 summit in Japan. The last positive effect on the market this week came in the form of geopolitical conflict in Iran which saw energy stocks and crude oil prices jump as a result.³⁶

The issues revolving around Iran started on June 20th when the Iranian government shot down a U.S. military drone in the Middle East.³⁵ This is what prompted Trump to threaten severe punitive measures and caused prices to rise. If this small issue does lead to a conflict though it will not be beneficial for the U.S. and could potentially hurt the economy more than it would help. Other negative news came out from a U.S. Department of Commerce ruling in which they banned five more companies from doing business with the country.³⁷ The continued bans and pursuit of Chinese companies before the unveiling of 5G is good for U.S. based companies that are trying to compete in the new 5G world but destroying the suppliers and consumers of these Chinese companies. I personally am not sure where to stand on this as its good to fight for intellectual property and protect it but at the same time it can have terrible unforeseen consequences on consumers and producers here. It's a tough issue and it will be interesting to see how it plays out not only over the next five weeks but for the years to come.

Now looking at the buy and hold investments after this week they severely underperformed compared to the market as seen in Figure 3.3. While the markets rose approximately two percent the buy and hold portfolio fell a little more than one percent. These loses were led by half of the stocks as seen in Table 3.3 while the gains from the other half were not strong enough to counter act the drop. This mainly has to do with the facts that the stocks that made the largest moves this week were the technology and energy stocks and this portfolio is not heavily focus in these sectors. This resulted in lack luster results but the portfolio is still in a decent position as it has still made move up with the market since the beginning just not at the same rate. There is also the dividend

that can make up the lost ground so as long as the portfolio doesn't fall too far behind the market it can will be successful it achieving its goals.

			3-Jun	24-Jun		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 3	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 31.51	\$ 0.76	2.47%
Ford	F	1050	\$ 9.62	\$ 9.84	\$ 0.22	2.29%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.17	\$ 0.32	4.08%
Century Link	CTL	956	\$ 10.41	\$ 11.34	\$ 0.93	8.93%
Six Flags	SIX	202	\$ 49.26	\$ 49.69	\$ 0.43	0.87%
Exxon	XOM	141	\$ 71.09	\$ 76.95	\$ 5.86	8.24%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 16.83	\$ 0.39	2.37%
AT&T	T	327	\$ 30.72	\$ 32.58	\$ 1.86	6.05%
Kohl's	KSS	198	\$ 50.39	\$ 45.98	\$ (4.41)	-8.75%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 58.75	\$ 5.81	10.97%
		Totals	\$ 99,949.11	\$ 103,695.44	\$ 3,746.33	3.75%

Table 3.3- Buy and Hold Stock Prices After Week 3

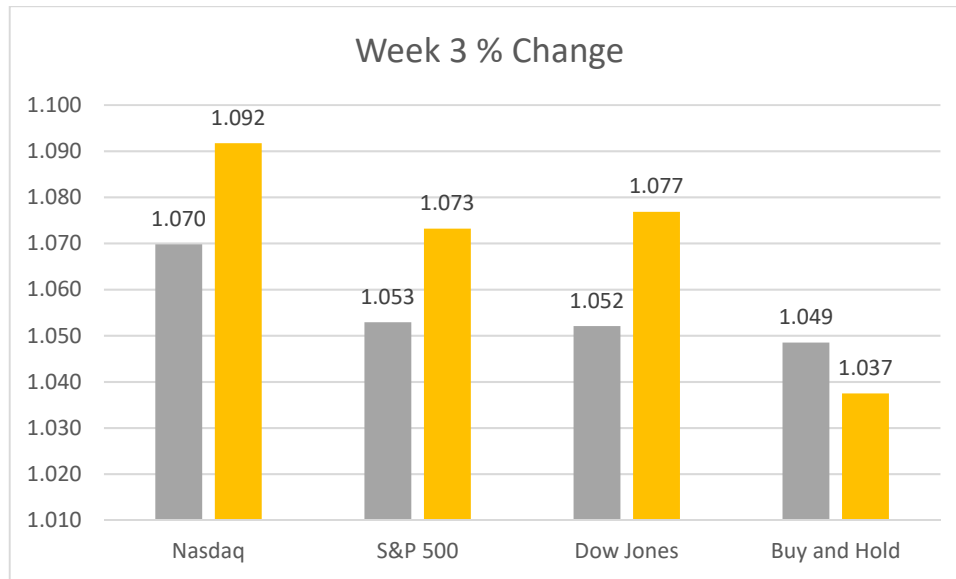


Figure 3.3- Percent Change of Markets and Total Investments Week 3

3.3.4 Week 4

Week 4 of the simulation saw an interesting variation of the market throughout the week and seems to show promising signs to continue trending upward for the next week. The week started out a downward trend as on June 24th Trump signed an executive order imposing tough

sanctions on Iran.³⁸ This at first thought would have been good as last week when sanctions on Iran came up energy stocks saw great gains but this did not come out of the situation. Instead, the market reacted by becoming a bit more passive and shifted their focus towards more secure investments like gold and other metal which saw their prices rise.³⁸ This shift in demand from investors meant stocks were not as demanded causing their prices to tumble a little bit. Later in the week fears about talks between Trump and China being unsuccessful at the G-20 summit the following week pushed the market down.³⁹ This fear was mainly coming from comments from Trump who said “My Plan B with China is to take billions and billions a month...and we’ll do less business with them.”³⁹ Even though this isn’t Trump’s main plan the thought of negotiations ending with more tariffs is unsettling and would have negative ramifications on the market. Anytime there is a potential for something negative to happen investors respond and stocks take a hit which is frustrating for those in the long game but this also creates opportunities for people to come in and make a profit. The tech sector that was being hurt the most from these China tariff talks got a bit of a break during the week however when Micron came out and beat their projected earnings and showed great optimism towards the future.³⁹

The uplift from Micron and the tech sector was paired ever so nicely with reports coming out that Chinese President Xi Jinping was going to present terms to end the trade war to Trump at the G-20 summit.⁴⁰ Hearing that China wants to end the trade war is really what the investors in U.S. markets want to hear and as a result there was a great rebound across the broader markets. Though this was good news the meeting was still a little bit away so the rebound wasn’t as great as some would have hoped for. On June 27th after the market closed however the Fed released the second round of results from their stress tests on the major banks in which Seventeen out of Eighteen passed.⁴¹ This meant that the banks that passed were approved to increase their dividends

and their share repurchase programs. Doing so caused some of the largest banks like Citigroup, JPMorgan Chase, and Goldman Sachs saw their stocks value rise more than 2.6%.⁴¹ Altogether the month of June was one of the best the stock market had seen for years and saw massive gains in stocks across the board. There were obviously some major winners and some losers but as a whole the market had a massive win. Having a bounce back after May's big down fall restored faith in investors and brought more optimism to the coming month of the simulation to see what the next month has in store.

Turning back now and focusing on the investment I have made I was very happy with the way the week turned out and the result gains that I saw after the disappointment from the previous week. Seeing a two percent gain on a week where the other markets didn't have much change as seen in Figure 3.4 was great. Making back some of that lost ground helps keep up the pace and makes me optimistic that the buy and hold strategy that I used combined with the companies I selected can be successful (see Table 3.4).

			3-Jun	1-Jul		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 4	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 30.72	\$ (0.03)	-0.10%
Ford	F	1050	\$ 9.62	\$ 10.15	\$ 0.53	5.51%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.14	\$ 0.29	3.69%
Century Link	CTL	956	\$ 10.41	\$ 11.70	\$ 1.29	12.39%
Six Flags	SIX	202	\$ 49.26	\$ 51.98	\$ 2.72	5.52%
Exxon	XOM	141	\$ 71.09	\$ 76.63	\$ 5.54	7.79%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 16.77	\$ 0.33	2.01%
AT&T	T	327	\$ 30.72	\$ 33.43	\$ 2.71	8.82%
Kohl's	KSS	198	\$ 50.39	\$ 47.85	\$ (2.54)	-5.04%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 61.97	\$ 9.03	17.06%
		Totals	\$ 99,949.11	\$ 105,701.43	\$ 5,752.32	5.76%

Table 3.4 – Buy and Hold Stock Prices After Week 4

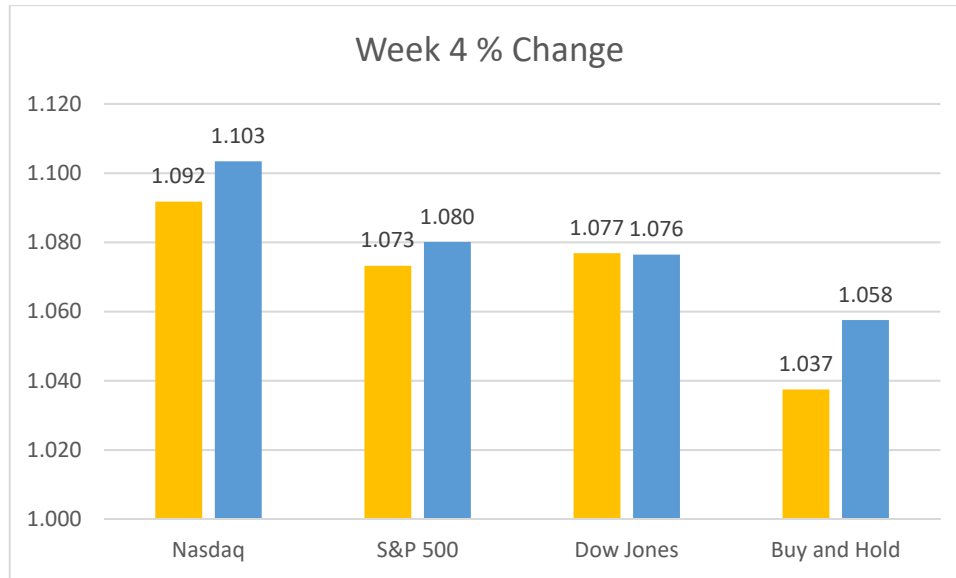


Figure 3.4 – Percent Change of Markets and Total Investments Week 4

3.3.5 Week 5

Week 5 of the simulation was shortened by a day and a half as the July 4th holiday was on a Thursday and Friday was only a half day. This being said there was no shortage of events that occurred over the course of the week and to start off the week investors were given a sigh of relieve regarding China tariffs. On June 29th both sides agreed to start negotiations over during their meeting at the G-20 Summit and hold off on imposing anymore tariffs until then.⁴² In addition to this the U.S. would ease some restrictions on Huawei and lift sale restrictions to trusted Chinese companies while China agreed to increase imports of U.S. farm products.⁴² This news had great effects on semiconductor stock who bounced back very well in response to the news over the weekend. The following day of July 2nd was a bit of a mix as the market was torn regarding more comments from Trump on China and the EU. Trump came out and said that talks with China were already underway and this had positive effects but this was countered later in the day when he later came out talking about placing tariffs on European goods.⁴³ Overall though the market made

positive gains on the day despite the European tariff talks which shows the market has some positive momentum and sees China as more important than Europe.

July 5th saw stocks close very strong off the back of data released revealing a weakening economy giving investors hope of end of July rate cuts from the Fed.⁴⁴ More talk of the interest rates and cuts building off of last month's disappointing non-cut is what really made investors excited as they felt there's even more pressure to cut rates. Sadly, though just because there is increased from the economy and investors doesn't mean the Fed will do anything as shown by last month. To give the Fed a reason to not cut they would need to get a sign of strength and they received it in the form of more employment data being released from the Department of Labor reported 224,000 new jobs added to the economy.⁴⁴ Such an increase was great news for those rooting for a stronger economy but to those wanting a rate cut it was more worrying news. All things considered though the stock market had a great week in spite of the shortened length and there was great news coming out about trade with China so things are looking up.

The buy and hold portfolio was also happy with the short week as it too saw nice positive gains on a week where not much was expected. As seen in Table 3.5 there weren't any big changes in either direction but instead small gains across the board which was nice in growing the value. To really make the week even better, the stock's value came within almost one percent of the total change of the Dow Jones which is around its all-time high (Figure 3.5). I keep saying it week to week but these are the results on stocks that are meant to balance out the movement in the market and provide major gains through their dividends and they are almost keeping pace with the rest of the market. To me right now I am very proud of how the stocks have performed to this point, they haven't been perfect but they are far from showing their full value.

			3-Jun	8-Jul		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 5	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 31.47	\$ 0.72	2.34%
Ford	F	1050	\$ 9.62	\$ 10.20	\$ 0.58	6.03%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.42	\$ 0.57	7.26%
Century Link	CTL	956	\$ 10.41	\$ 11.68	\$ 1.27	12.20%
Six Flags	SIX	202	\$ 49.26	\$ 52.30	\$ 3.04	6.17%
Exxon	XOM	141	\$ 71.09	\$ 76.48	\$ 5.39	7.58%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 17.02	\$ 0.58	3.53%
AT&T	T	327	\$ 30.72	\$ 34.25	\$ 3.53	11.49%
Kohl's	KSS	198	\$ 50.39	\$ 48.27	\$ (2.12)	-4.21%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 61.84	\$ 8.90	16.81%
		Totals	\$ 99,949.11	\$ 106,857.42	\$ 6,908.31	6.91%

Table 3.5 – Buy and Hold Stock Prices After Week 5

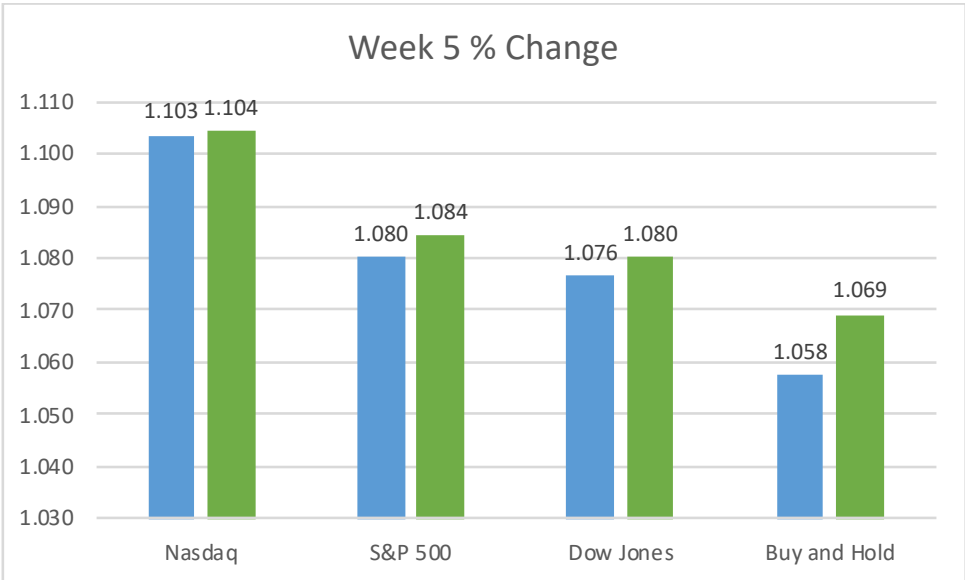


Figure 3.5 – Percent Change of Markets and Total Investments Week 5

3.3.6 Week 6

Week 6 of the simulation saw markets have a great rally over the course of the week after getting off to a slow start on Monday and Tuesday. For the week as a whole there wasn't as much negative news to report with Monday seeing the markets end lower and Tuesday markets staying relatively level as everyone was anxiously waiting to hear comments from the Fed regarding interest rates. Strong economic data on employment from the previous week was keeping

investors' hopes a little bit down but there was no way to know for sure until Powell testified in front of the House Financial Services Committee on Jul 10th.⁴⁶ Though it was still expected that Powell would make hints at a rate cut at the end of July there was no guarantee and as such investors were on edge. Fortunately for investors in Powell's testimony he hinted at a rate cut coming in the future says that the central bank would act accordingly to support the economy's growth. This was then backed up by notes from the Fed's latest meeting where they also hinted at lowering the rate due to uncertainties in the global economy from trade tariffs.⁴⁷

At the midpoint of the week off the back of Powell's comments regarding rate cuts the markets really started to take off and see some major gains. The upward momentum was fueled as more investors decided to take on more risk and saw investments in normally riskier stocks as less risky with the pending Fed rate cuts. This momentum was added to by Medicare stocks after Trump came out first with an ambitious plan to decrease drug costs but then announced his abandonment of it on July 11th.⁴⁸ The plan was going to eliminate rebates from the government on government drug plans and prevent health insurance companies from receiving rebates and passing them along to consumers.⁴⁸ With the plan scraped though this gave way to companies like CVS, Walgreens, and Rite Aid to have nice gains as their business models would no longer be at danger of being hurt. The week did end on a high as investors were meet with more information that pointed towards a Fed rate cut bolstering stock prices and confidence of investors. The only down to end the week was quarterly earnings reports for quarter 2 were not looking strong as for S&P 500 stocks and would mean back to back grim quarters.⁴⁹ Such predictions were just speculation so there is still a chance that there can be a positive quarter for these companies and nothing is really known until the companies report.

Moving on to the performance of the buy and hold investments there were a few key jumps in value of Six Flags, CenturyLink, and Las Vegas Sands that bolstered the value of the portfolio. Focusing on these three stocks specifically we can see that they have had substantial increases in value since their starting point (Table 3.6). Each of these stocks from the start to now have increase in value of 10.56%, 17.77%, and 20.82% respectively in the order listed above. Seeing such gains on these stocks makes me a little disappointed that I didn't invest in them with any actual money of my own as they have all performed exceptionally well and still have the value of the dividend to be paid out. Other than these three the rest of the stocks have performed ok and have shown growth other than Kohl's who came off a bad quarter and Iron mountain. All in all, the portfolio is up a little more than eight percent which may still be behind the pace of the other benchmarks but is still acceptable (Figure 3.6).

			3-Jun	15-Jul		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 6	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 30.41	\$ (0.34)	-1.11%
Ford	F	1050	\$ 9.62	\$ 10.42	\$ 0.80	8.32%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 8.19	\$ 0.34	4.33%
Century Link	CTL	956	\$ 10.41	\$ 12.26	\$ 1.85	17.77%
Six Flags	SIX	202	\$ 49.26	\$ 54.46	\$ 5.20	10.56%
Exxon	XOM	141	\$ 71.09	\$ 77.08	\$ 5.99	8.43%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 17.34	\$ 0.90	5.47%
AT&T	T	327	\$ 30.72	\$ 33.71	\$ 2.99	9.73%
Kohl's	KSS	198	\$ 50.39	\$ 49.26	\$ (1.13)	-2.24%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 63.96	\$ 11.02	20.82%
		Totals	\$ 99,949.11	\$ 108,138.07	\$ 8,188.96	8.19%

Table 3.6 – Buy and Hold Stock Prices After Week 6

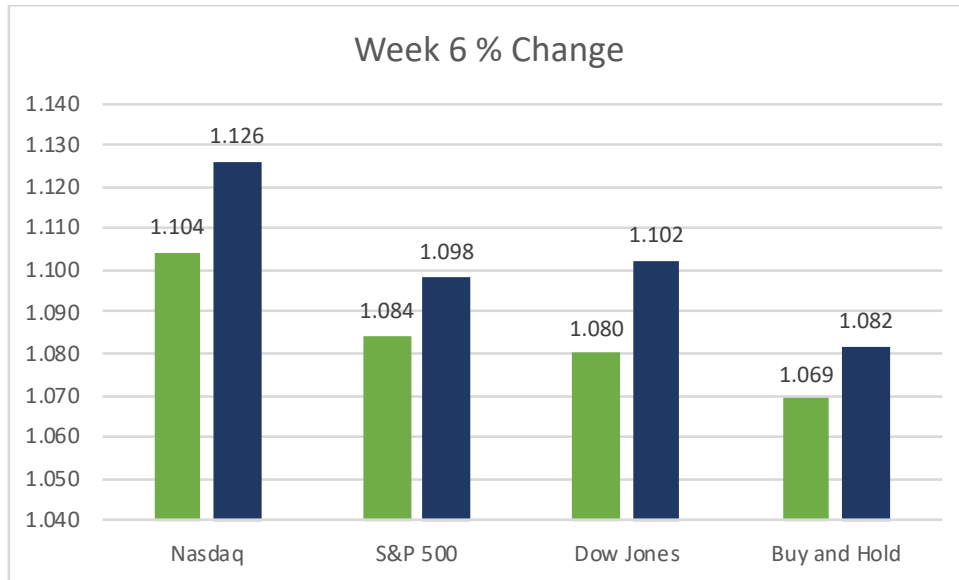


Figure 3.6 – Percent Change of Markets and Total Investments Week 6

3.3.7 Week 7

Going into week 7 of the simulation the market took a bit of turn towards a slow as investors were conflicted on where stocks would go as different factors pulled stocks in opposite directions. Where normally there would be a boost in the market with Fed cutting interest rates the market fell a little flat fearing underperforming second quarter earnings reports from companies.⁵⁰ One company that stuck out was Citigroup as they came out with better than expected earnings but still saw their stock price fall as they were not able to decrease their operating costs as much as previously anticipated.⁵⁰ With other large companies like Netflix and Microsoft to report later in the week there is a substantial amount of pressure on earnings reports this to move the market for the better or worse. As more and more companies came to report earnings though a trend began to emerge that companies were beating their expected earnings but this success wasn't translating into an overall increase in the market. As of Thursday morning, companies comprising 15.3% of the S&P 500's market capitalization reported second-quarter results, with 81% of such companies exceeding their earnings estimates, according to an analysis from Credit Suisse analyst Jonathan

Golub.⁵¹ Part of the reason for the lack of success from the markets can be credited to more comments from Trump saying that he could still impose tariffs on more than \$300 billion on Chinese goods.⁵²

To close out the relatively underwhelming week of movement as markets finished lower there was more news related to the Iran oil situation. On Friday July 15th Iran's Revolutionary Guard claimed to have seized a British Oil tanker in the Strait of Hormuz.⁵³ Even with these events though domestic oil process saw a decrease of more than six percent for the week.⁵³ The main moving point of the market though continues to China as everything can move the markets a little here and there but only news regarding the topic can really cause a major movement in the market one way or the other. So, on a week where there wasn't much talk about what would happen with China and the last comments from Fed officials before a week of silence there wasn't much for information for investors. This lack luster amount of information combined with the mixed bag of earnings reports can be to blame for the down week.

The portfolio this week moved in the negative direction along with the markets from the underwhelming results and news of the week. As seen in Figure 3.7, all of the benchmarks and investments went down around one percent over the course of the week relative to their starting points. The Dow and Nasdaq had the smallest decrease of the week with 0.7% while my portfolio decreased 0.8% and the S&P 500 1% (Figure 3.7). The biggest percentage wise on the week came from Century Link who fell 9.6% relative to their previous point. All together though the portfolio is still in the positive for the simulation and up 7.4% without the dividends being added in (Table 3.7).

			3-Jun	22-Jul		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 7	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 30.03	\$ (0.72)	-2.34%
Ford	F	1050	\$ 9.62	\$ 10.20	\$ 0.58	6.03%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 9.51	\$ 1.66	21.15%
Century Link	CTL	956	\$ 10.41	\$ 11.08	\$ 0.67	6.44%
Six Flags	SIX	202	\$ 49.26	\$ 52.87	\$ 3.61	7.33%
Exxon	XOM	141	\$ 71.09	\$ 75.07	\$ 3.98	5.60%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 17.51	\$ 1.07	6.51%
AT&T	T	327	\$ 30.72	\$ 32.12	\$ 1.40	4.56%
Kohl's	KSS	198	\$ 50.39	\$ 49.65	\$ (0.74)	-1.47%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 63.99	\$ 11.05	20.87%
		Totals	\$ 99,949.11	\$ 107,395.22	\$ 7,446.11	7.45%

Table 3.7 – Buy and Hold Stock Prices After Week 7

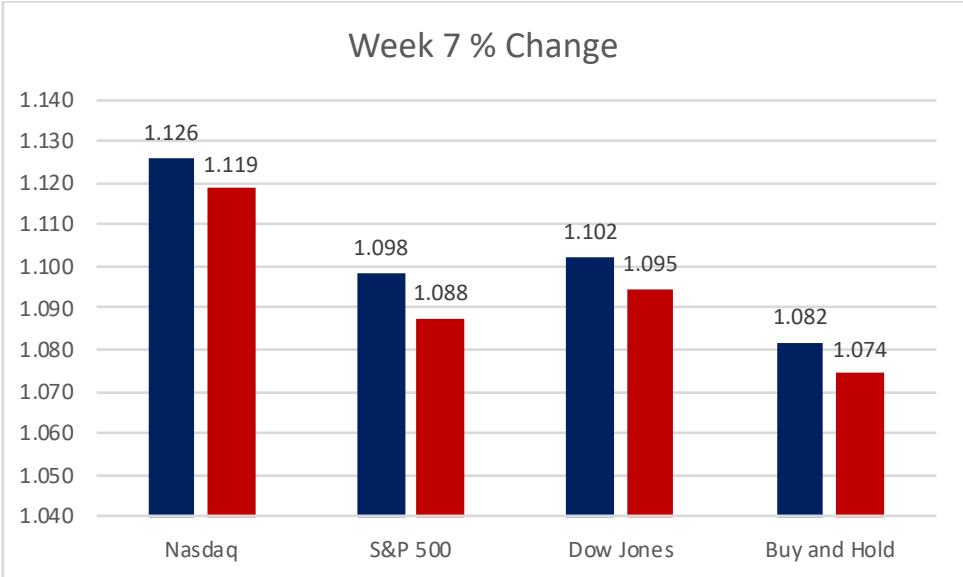


Figure 3.7 – Percent Change of Markets and Total Investments Week 7

3.3.8 Week 8

The last week of the simulation wasn't the crazy week to date but had some key moments that moved the market in a few different directions over the course of the week. The first of these was an internal agreement between Trump and congress to extend the debt limit by two years and removed limits on federal spending caps.⁵⁴ If a deal was not meet there would have been an issue

when congress hit its spending limit and would have had to default in terms of their debt. Though this didn't as much of an effect on the market it was more the preventing an issue from coming up in the future that would have followed like a government shutdown. The main driving force for movement was in the technology stocks though as they saw a little bump off the back of confident investors.⁵⁴ The following day saw the markets close near record highs as negotiations between U.S. and China were announced to take place on July 29th.⁵⁵ Here again more positive talks between the U.S. and China saw the markets rise and investors continue to show with their purchasing how they feel about trade with China.

In the following days, the markets slid down from their early gains in the week after a series of unfortunate news stories. News out of Europe lead the charge when The European Central Bank announced that it was taking no action to stimulate the economy further and instead would only take action if necessary.⁵⁶ Overall poor performances from earnings reports this day were led by Boeing whose stock took a hit after to no one's surprise they posted bad numbers off the back of their 737 Max troubles.⁵⁶ Both events deterred investors from being as confident as in previous weeks but the fact still remained that the markets finished sharply lower in part due to these events. To end things off the markets rose a little bit before the opening bell on Monday July 29th ahead of the meetings with China but aside from that there was little drama in the world to report and such concluding the run of the simulation for the buy and hold portfolio.

Now turning the focus towards how the portfolio finished out the week we can that despite the ups and downs of the week the stocks were still able to perform well. The biggest winner of the week was finally Kohl's who after being down for most of the time was able to rally on the at the last minute and show some gains (Table 3.8). Other winners included CenturyLink and AT&T as they saw themselves make great upward movements to finish in the positive. The only real

disappointment on the last week was Ford who posted a bit of a hefty loss to finish in the negative for the summation. All together the portfolio outperformed all three of the benchmarks to make back lost ground (Figure 3.8). All together the account finished up at nine percent of its initial value far in a way beating the expectations that I had placed on it before the simulation kicked off. I will leave the rest of the analysis for sections 5 and 6 but can say the result with the added dividends collected on the side over the course of the simulation really make the comparison between the benchmark interesting.

			3-Jun	29-Jul		
Company	Stock Symbol	# of stocks	Starting Point	Price Week 8	\$ Change	% Change
Iron Mountain	IRM	325	\$ 30.75	\$ 29.91	\$ (0.84)	-2.73%
Ford	F	1050	\$ 9.62	\$ 9.60	\$ (0.02)	-0.21%
Gannett Co Inc.	GCI	1271	\$ 7.85	\$ 9.83	\$ 1.98	25.22%
Century Link	CTL	956	\$ 10.41	\$ 11.77	\$ 1.36	13.06%
Six Flags	SIX	202	\$ 49.26	\$ 52.67	\$ 3.41	6.92%
Exxon	XOM	141	\$ 71.09	\$ 75.34	\$ 4.25	5.98%
AGNC Investment Corp.	AGNC	610	\$ 16.44	\$ 17.44	\$ 1.00	6.08%
AT&T	T	327	\$ 30.72	\$ 34.34	\$ 3.62	11.78%
Kohl's	KSS	198	\$ 50.39	\$ 53.46	\$ 3.07	6.09%
Las Vegas Sands Corp.	LVS	187	\$ 52.94	\$ 62.36	\$ 9.42	17.79%
		Totals	\$ 99,949.11	\$ 108,923.06	\$ 8,973.95	8.98%

Table 3.8 – Buy and Hold Stock Prices After Week 8

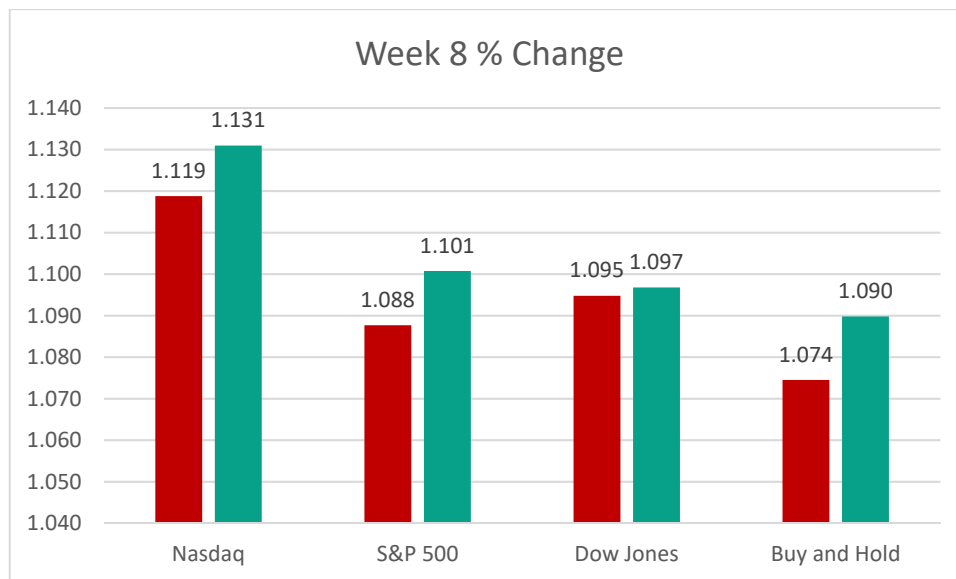


Figure 3.8 – Percent Change of Markets and Total Investments Week 8

4. Swing Trading Simulation

4.1 Introduction

Swing trading is a much different from the buy and hold style of trading and as such there are different things that investors should look out for. I will be differing slightly from the more traditional swing trading which looks at past data to see where a stock is going to go. For the swing trading that I am doing here I will be tracking the movements of stocks prices in relation to quarterly earnings reports that they will be releasing over the eight-week period. As there are plenty of companies that operate on different quarterly cycles there will always be opportunities for investment they just need to be found. This may be a bit more speculative than the traditional trading but if done correctly has the potential to generate some incredible gains.

Just like the buy and hold portfolio I will be starting out with \$100,000 to keep things consistent between the two and it will be easier to compare in the end after the eight-week period the results side by side. As there will be more trades being made in this method I will split the \$100,000 a bit less across the trades as I'd rather make fewer trades I have great confidence in then many trades that might not be the best. The goal for these eight weeks is to make as much money as possible without much concern over diversifying as these will all be short term investments. I will be reporting on the process of the stocks weekly by each stock where I will state my plan to buy, hold or sell during the weekly time frame.

4.2 Weekly Trading Reports

4.2.1 Week 1

USA Technologies (USAT): This was the first company in which I invested in as I saw an opportunity here that looked a little too good to be true. I purchased 3820 shares of the company

at a price of \$6.54 for a total investment of \$24,982.80 with a trading fee of \$5 . On Ma 21st a hedge fund company came in and bought a 12% stake in the company which saw the stock take a nice gain in the following days.⁵⁷ The Fund that invested in the company said that it saw the shares as undervalued and after seeing the stock tumble from May 28th till when I purchase on June 3rd I thought there was no way the stock wouldn't rebound. As a U.S. tech company, it wouldn't be negatively affected by international trade talks with China and as investors moved away from companies involved with China it seemed a good move. I then held the stock for a few days and monitored its price and watched as it fluctuated up and down bit over the week until it made some positive gains going into the close Friday (Figure 4.2.1). After making a bit of a gain I decided to sell the stock on June 7th at a price of \$7.12 a share for a profit of \$0.58 a share and a total profit of \$2,205.60 after trading fees. Looking back of this I could have held for a bit longer and seen my as high as \$1 a share if held till June 11th. Instead I got out of the stock a bit early content on the gains that I had made and with no certainties in the market you can never bank on profits till you sell.



Figure 4.2.1.1 – Stock Price of USAT from May 6th to June 7th

Salesforce.com (CRM): The second company that I looked at which was reporting their earnings for their first quarter was Salesforce.com for a few different reasons. In the days leading to the release of the earnings reports data there were positive rumors on Yahoo Finance that the company would come out and post better than expected earnings for their first quarter. On June 4th Salesforce announced their earnings and beat the expectations just as was rumored during the week after posting earnings of \$3.74 billion.⁵⁸ Off the back off the successful earnings report and a rebounding market the stock in the rest of the week saw the price rise as seen in Figure 4.2.2. With the stock prices still rising though the week I continued to hold the stock as I didn't expect for the momentum to stop. Once the momentum started to slow I would sell the stock but for the first week this stock was a hold to me.

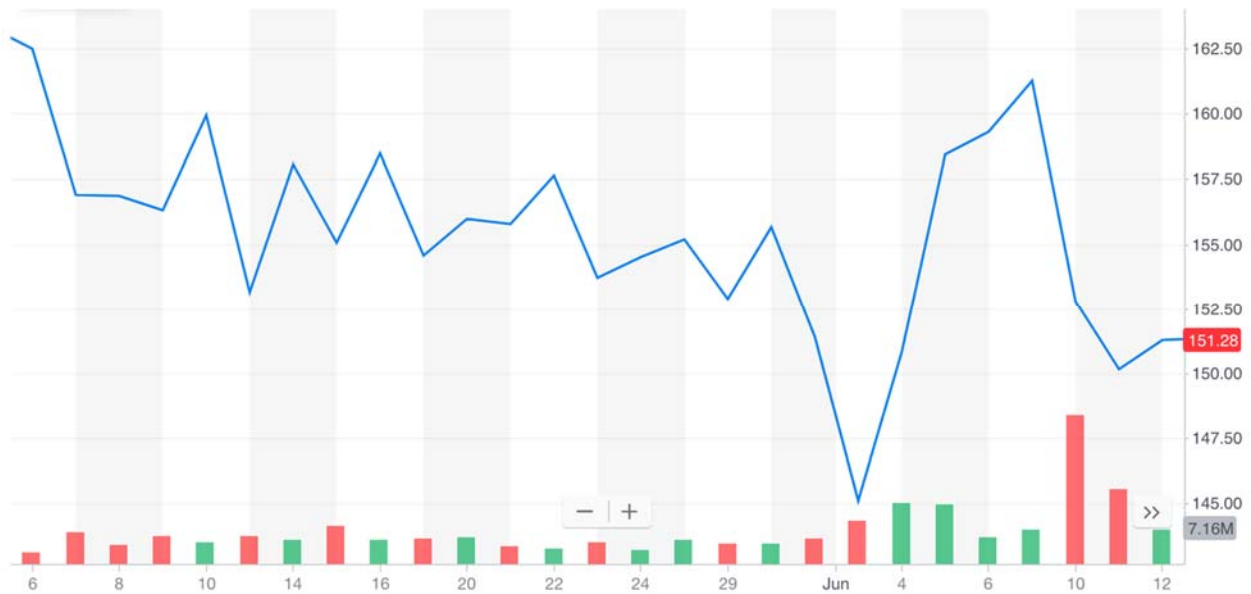


Figure 4.2.1.2 – Stock Price of CRM from May 6th to June 12th

Campbell Inc. (CPB): Campbell stood out to me as their stock had also seen a large dip and was starting to rebound from the previous week and was reporting their earnings for the third quarter this week. I purchased 680 shares of the stock on Monday at an initial price of \$36.22 for a total investment of \$24,629.22. Seeing the stock price rise in the days before I invested in

combined with the positive rumors of a good quarter from the company made this seem like an investment foolish not to make. As the week went on my predictions and hopes came true as the stock saw a impressive increase off the back of beaten expectations on the earnings report (Figure 4.2.3). For the rest of the week I decided to hold the stock even after the stock flattened its gains to end the week. This is a stock that I think still has a bit more to gain in the next few days so I'm going to hold for a little bit longer and if the stock drops a bit it's not the end of the world as this investment was a success.



Figure 4.2.1.3 – Stock Price of CPB from May 6th to June 12th

Cal-Maine Foods (CALM): This was second company that I invested in without having an upcoming quarterly report as I didn't have many stocks to choose from and this was a better option. Cal-Maine was already rebounding in price from the low of May with momentum carrying it up and no negative news around the stock. This made it an attractive investment as its movement seemed to be similar to what Campbells was experiencing without the quarterly earning report. This made the initial investment the riskiest of my 4 stocks but I had confidence that with the positive momentum it was carrying it would be at worst an ok investment to make. I was able to

get in with 675 shares at a price of \$37.06 a share for a total investment of \$25,015.50. As the week progressed my investment showed its worth as it had increases in value every day of the week till it finished the week at a price of \$39.57. The continued increase in price over the week made me hopeful that the trend would continue into the next week and as a result I decided to hold onto the stock for a bit longer before selling.



Figure 4.2.1.4 – Stock Price of CALM from May 12th to June 19th

Summary of Trades Week 1

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
USA Tech Inc.	USAT	June 3	Buy	3820	\$ 6.54	N/A	N/A	
Salesforce.com	CRM	June 3	Buy	170	\$ 145.10	N/A	N/A	
Campbell Soup	CPB	June 3	Buy	680	\$ 36.22	N/A	N/A	
Cal-Maine Foods	CALM	June 3	Buy	675	\$ 37.06	N/A	N/A	
USA Tech Inc.	USAT	June 7	Sell	3820	\$ 6.54	\$ 7.12	\$ 2,205.60	\$ 2,205.60

Table 4.2.1 – Summary of Trades Week 1

4.2.2 Week 2

Five Below (Five): After selling my USA Technologies shares for \$27,198.40 I reinvested that money into 200 shares of Five Below at a price of \$129.53 per share. Five Below had just come off of a beat earnings report posted on June 5th and had increasing value in their stock since June 6th. I was hoping to capitalize on the upward momentum after the earnings report was released and the investment worked out as I had originally planned. The stock's price did see an increase in value over the first 3 days going into the weekend and didn't show signs of slowing. (See Figure 4.2.2.1). I choose to hold the stock over the weekend and would reevaluate later as there were positive gains being made and I wanted to keep riding the wave till it crashed.



Figure 4.2.2.1 – Stock Price of FIVE from May 13th to June 21st

Salesforce.com (CRM) continued: Holding CRM ended up being a bad call so I cut my losses before the price fell anymore and sold the stock on June 10th at a price of \$161.27 per share profiting me a total of \$2,738.90. This was a good call as I needed to keep my money moving

around to different investment and I had made a little more than \$15 a share with the stock showing no signs of going up in the short term.

Campbell Inc. (CPB) continued: Campbell's stock on Monday saw a turn for the worse as the price fell \$1 after leveling off last Friday. Not wanting to see the investment lose any more value I decided to sell the shares I had for a price of \$43.07 a share and gave me a total profit of \$4,648.00.

Broadcom Inc. (AVGO): After selling Salesforce.com I invested in 95 shares of Broadcom Inc. at a price of \$283.48 per share for a total investment of \$26,930.60. Broadcom Inc. was set to report their second quarter earnings on Thursday June 13th two days after I had purchased the shares. Looking at the stocks history I saw the stock trending upward a head of their report and thought it would continue through after a positive earnings report. My optimism was all for not as after markets closed on June 13th Broadcom announced their earnings report that had lower than expected revenue and decrease revenue goals for the remainder of the year.⁵⁹ Stock prices that Friday plummeted and saw the stock's value decrease to as low as \$257.47 a share. I decided to hold the shares though the weekend in hopes of some type of bounce back after nerves around the company's performance settle.



Figure 4.2.2.2 – Stock Price of AVGO from May 21st to June 28th

Lululemon Athletica Inc. (LULU): After selling Campbell I chose to invest in Lululemon Athletica as they were set to announce first quarter earnings on June 12th. I purchased a total of 155 shares at a price of \$173.31 per share for a total investment of \$26,863.05. Leading up to their earnings release there wasn't too much movement in their price but there were positive rumors that they were going to post a good quarter. The rumors ended up coming true as Lululemon's earnings reports beat expectations and saw increased revenue guidance for the remainder of the year.⁶⁰ As the week continued on the stock price continued to rise which led me to hold the stock as I was expecting more gains in the following days.



Figure 4.2.2.3 – Stock Price of LULU from May 21st to June 28th

Cal-Maine Foods (CALM) continued: Holding the stock proved to be a good move as the first few days saw the stock continue to rise in price until June 11th. After this day however, the stock took a turn and decreased in value leading me to believe this was the end of the gains for the stock. The next day I sold the stock at a value of \$40.71 per share for a total profit of \$2,453.75 making the investment as a whole a success in terms of gains.

Adobe Inc. (ADBE): After selling Cal-Maine foods I purchased 99 shares of Adobe at a price of \$276.83 per share for a total investment of \$27,353.70. Adobe were set to announce their quarterly earnings on June 18th and had beaten earnings expectations for their first quarter of 2019. With little showing signs of a negative quarter ahead this seemed like a sound investment to make. I would have to hold this stock for a little bit before I would see any gains but the upside potential here was worth the wait for me.



Figure 4.2.2.4 – Stock Price of ADBE from May 21st to June 28th

Summary of Trades Week 2

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
Five Below	FIVE	June 10	Buy	200	\$ 129.53	N/A	N/A	
Salesforce.com	CRM	June 10	Sell	170	\$ 145.10	\$ 161.27	\$ 2,738.90	\$ 4,944.50
Campbell Soup	CPB	June 10	Sell	680	\$ 36.22	\$ 43.07	\$ 4,648.00	\$ 9,592.50
Broadcom Inc.	AVGO	June 11	Buy	95	\$ 283.48	N/A	N/A	
Lululemon	LULU	June 11	Buy	155	\$ 173.31	N/A	N/A	
Cal-Maine Foods	CALM	June 12	Sell	675	\$ 37.06	\$ 40.71	\$ 2,453.75	\$ 12,046.25
Adobe Inc.	ADBE	June 13	Buy	99	\$ 276.30	N/A	N/A	

Table 4.2.2 – Summary of Trades Week 2

4.2.3 Week 3

Broadcom Inc. (AVGO) continued: After watching the stock price of Broadcom take a beating to close out the week I held out for a bit longer hoping the stock would rebound as they were still a good company who just had a bad quarter. My choice to hold paid off as on Tuesday June 18th the stock's price came back up and at that point I cut my losses and moved on. I sold my shares of the company for a price of \$278.05 a share taking a total loss of \$525.85. From this I was able to take a few thoughts and learned that deviating from my initial plan was not only foolish but didn't make any sense from the start. That being said I couldn't let this rattle my decision

making and had to continue being confident as the worst thing I could do was start second guessing myself and ruin the rest of my simulation.

Five Below (Five) continued: The start of the week saw the stock price of Five Below continue to fall on Monday marking back to back days of negative progress. At this point I was being a poor and inexperienced investor by continuing to hold a stock I saw had no upward potential and foolishly didn't sell until June 19th for a price of \$130.37 a share for a total profit of only \$158.00. This was now back to back investments that didn't pan out that I had to learn from and move on.

Oracle Corp. (ORCL): After selling the shares of Broadcom I invested in 500 shares of Oracle at a price of \$52.90 a share for a total investment of \$26,450.00 on June 19th. I chose to invest in Oracle as I saw success from Adobe's earnings report, heard positive rumors on 4th quarter earnings and liked an American software company during turbulent trade war issues with China. With Trump going after Huawei and Chinese companies stealing American intellectual property a U.S. software company coming off beat quarterly earnings expectations from quarter 3 made for a solid case. I didn't have to wait long as Oracle announced after the market closed and beat both earnings per share and total revenue expectations with their cloud services bringing in \$6.80 billion in revenue.⁶⁰ The next day the price of the stock jumped over \$4 in value but saw a dip the next day off sales of the stock from people taking profits in their investments. I decided to hold the stock to try and ride out people selling the stock for the price to level out a bit before I sold so I sat on the stock for the rest of the week.



Figure 4.2.3.1 – Stock Price of ORCL from May 29th to July 8th

CarMax (KMX): After selling Five Below I made an investment into CarMax on June 20th of 312 shares at a price of \$83.00 per share for a total investment of \$25,896.00. CarMax was set to announce quarterly earnings reports on June 21st and was coming off a week which saw the increase in value and showed signs of keeping positive momentum which to me was good sign as momentum-based stock.⁶¹ The next day CarMax reported their first quarter earnings which ended up beating expectations and saw the company grow net sales and revenue by 12.0% to \$5.37 billion.⁶² In the report President and CEO of the company Bill Nash said “CarMax had an outstanding first quarter,” and was proud of a “strong growth in sales, gross profit and earnings.”⁶² After this showing it was a no brainer to hold this stock and see where the price would go in the coming days.



Figure 4.2.3.2 – Stock Price of KMX from May 29th to July 11th

Lululemon Athletica Inc. (LULU) continued: Holding Lululemon started off as a good move as the stock price continued to rise off the back of its beat earnings report last week. As the week went on the stock took a turn for the worse as the price decreased from Wed June 18th till the week ended on the 21st. My incorrect justification for holding the stock and subsequent decision to hold for the week is a choice looking back on things that didn't make any sense. After the stock had turned for the worse on June 18th I should have sold on the 19th but instead I'm holding in hopes of rebound in the coming days which I may live to regret. Listening to my gut instead of using my head and trading rules could cost me the gains I have made in this stock so I will sell at the latest June 21st after seeing how the stock moves.

Adobe Inc. (ADBE) continued: The first two days of the week saw the stock price increase marginal amounts before second quarter earnings were released on June 18th after markets closed. Adobe released earnings that beat expectations and was able to achieve a 25% year-over-year growth helping propel the stock's value to a closing value of \$291.21 a share.⁶³ The next two day's saw the stock price continue to climb as it was able to close at a new record high of \$302.11 a

share on June 20th. On June 21st the stock's value fell a little bit to below \$300 but was still a hold for one more day to me as after the drop I was planning to drop sell my stake and take the cash out on June 24th to move on.

Summary of Trades Week 3

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
Broadcom Inc.	AVGO	June 18	Sell	95	\$ 283.48	\$ 278.05	\$ (525.85)	\$ 11,678.40
Five Below	FIVE	June 19	Sell	200	\$ 129.53	\$ 130.37	\$ 158.00	\$ 12,204.25
Oracle Corp.	ORCL	June 19	Buy	500	\$ 52.90	N/A	N/A	
CarMax	KMX	June 20	Buy	312	\$ 83.00	N/A	N/A	

Table 4.2.3 – Summary of Trades Week 3

4.2.4 Week 4

Lululemon Athletica Inc. (LULU) continued: Holding Lululemon was a risky move but turned out to work in my favor as June 24th saw the stock rise in value slightly regaining some earlier gains from the previous week. I was able to sell the shares at a price of \$182.64 for a total profit of \$1,436.15 making a gain overall on the investment.

Adobe Inc. (ADBE) continued: Holding Adobe for one last day ended up working out as on June 24th the stock's price rose slightly before I sold. I was able to sell my shares at a price of \$299.87 per share for a total profit \$2,323.43 proving the investment to be a wise one.

Motorcar Parts of America Inc. (MPAA): After selling Adobe I purchased 1646 shares of Motor Parts of America for a price of \$18.03 per share and a total investment of \$29,677.38. The company was scheduled to report their 4th quarter earnings on June 26th and expectations surrounding their announcement were low as reports from June 6th hinted at a lower than expected earnings per share. Normally reports like this would scare me away but a growing social media company called Doughnut Media who posts content on modified cars and other car content had been growing rapidly recently leading me to believe there might be a chance here. Further research

on my hunch into 3rd quarter earnings of MPAA showed beat revenue expectations leading me to make the investment into the company.⁶⁴ The investment paid off as even though they reported a negative net income their total revenue was up 7.8% and had a projected increase in sales for 2020 of 16%-18%.⁶⁵ In the days following the earnings report I held the stock and watched as the stock's price increased to a peak of \$23.57 per share. The stock closed out the week on a great high and made the research and little knowledge I had about the after-market motor park market extremely useful.



Figure 4.2.4.1 – Stock Price of MPAA from June 3rd to July 19th

KB Home (KBH): After selling Lululemon I purchased 1188 shares of KB Home for a price of \$23.82 per share and a total investment of \$28,298.16. KB Home was set to report quarterly earnings for their second quarter on June 26th with analyst's being very mixed on how the company would do after seeing data related to home building sector.⁶⁶ Some analysts were fearful that expectations were overly optimistic after hearing builders were struggling to keep up with demand for buildings over a shortage of workers. The way I interpreted this information was that there was such a strong demand that builders couldn't keep up had to mean that the building company would

beat expectations as they couldn't even keep up with the high demand. On June 26th earnings were announced and as anticipated before analysts decreased optimism KB Home beat expectations making those who downgrade the stock look silly.⁶⁷ As someone who was able to capitalize on the dip caused by the downgrade the gains I was able to create were substantial. I ended up holding the stock as it continued to increase in price over the rest of the week and plan to continue to hold for a little while longer to increase potential gains.



Figure 4.2.4.2 – Stock Price of KBH from June 3rd to July 19th

Oracle Corp. (ORCL) continued: Continuing to hold the stock over the course of the week proved to be a bit of a waste as the price of the stock rose and fell from day to day without making much positive gain. I ended up selling at the end of the week on June 26th at a price of \$56.66 per share for a total profit of \$1,870.00 making the investment decent relative to the rest of my investment but nothing crazy to celebrate.

The Simply Good Foods Comp. (SMPL): After selling Oracle I purchased 1200 shares of The Simple Good Foods Comp. for a price of \$23.60 a share and a total investment of \$28,320.00. The Simply Good Foods Comp was set to announce quarterly earnings for their 3rd

quarter on July 2nd, with positive news circulating around their earnings report and reports of positive earnings revisions it was the stock I choose to invest in.⁶⁸ Positive signs that I had made the correct decision began to emerge as the price of the began to rise as well as increased trading activity pointed towards the potential for a better than expected earnings report.



Figure 4.2.4.3 – Stock Price of SMPL from June 3rd to July 19th

Summary of Trades Week 4

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
Lululemon	LULU	June 24	Sell	155	\$ 173.31	\$ 182.64	\$ 1,436.15	\$ 13,114.55
Adobe Inc.	ADBE	June 24	Sell	99	\$ 276.30	\$ 299.87	\$ 2,323.43	\$ 15,437.98
Motorcar Parts of America Inc.	MPAA	June 25	Buy	1646	\$ 18.03	N/A	N/A	
KB Home	KBH	June 25	Buy	1188	\$ 23.82	N/A	N/A	
Oracle Corp.	ORCL	June 26	Sell	500	\$ 52.90	\$ 56.66	\$ 1,870.00	\$ 17,307.98
The Simply Good Foods Comp.	SMPL	June 27	Buy	1200	\$ 23.60	N/A	N/A	

Table 4.2.4 – Summary of Trades Week 4

4.2.5 Week 5

Motorcar Parts of America Inc. (MPAA) Continued: After seeing the stock on Monday July 1st take a strong dip I decided to sell my shares for a price of \$20.67 per share for a total profit of \$4,335.44. I decided against holding the stock any longer in uncertainty of where

the stock price would go. I had already made a decent increase in my initial investment and didn't want to be risky so I cashed out.

CarMax (KMX) Continued: The first few days of the shortened week saw CarMax stock continue to increase in value from the previous week's gains. Seeing that the stock's price was starting to level off a bit I decided to sell off my shares on July 2nd for a price of \$87.69 a share for a total profit of \$1,453.28. My main thought to sell was there were other investment opportunities with quarterly earnings being released and there weren't much more gains to be made in CarMax so I sold.

Saratoga Investment Corp. (SAR): After selling Motorcar Parts of America I purchased 1400 shares of Saratoga Investment Corp. at a price of \$24.28 a share for a total investment of \$33,992.00. Saratoga Investment Corp. was set to report their first quarter earnings on July 11th in the morning with a bit of an uncertainty around what their earnings report would be. Some investors were scared off by a bad previous quarter while others saw this as a bounce back for the company to rebound from the disappointment of last quarter.⁶⁹ I thought that they would come back and report a strong first quarter after their disappointing last quarter. Looking at their previous third quarter earnings beat I saw the potential for success in the company and saw this as a good investment opportunity. In the following days leading up to the earnings call the stock price decreased as investors feared consecutive underperforming quarters. This wasn't good for my investment but with the week ending before the earnings call I had to stay patient and trust my research.



Figure 4.2.5.1 – Stock Price of SAR from June 11th to July 22nd

KB Home (KBH) Continued: Going into the week I saw just monitoring the stock price of KB Home as their momentum from the previous week carried on. The stock price continued to rise as the days went on so I continued to hold onto the stock for a little bit longer to maximize my gains from this investment. Right before the July 4th holiday I sold my shares on July 3rd for a price of \$26.59 per share for a total profit of \$3,280.76. I decided to sell before the holiday as I had uncertainty of what would happen to the stock after the day off so to avoid the uncertainty I sold.

WD-40 (WDFC): After selling CarMax I purchased 171 shares of WD-40 at a price of \$159.69 for a total investment of \$27,306.99. When looking at WD-40 they stood out as a solid investment because of their past performances in the first and second quarters which saw earnings expectation beat. Other factors that made WD-40 stand out were their financial statements and their company seeing positive growth over the year. Looking into WD-40's financial reports revealed that though they had a large amount of debt they had made efforts to reduce this debt and showed capability to continue to pay off their debt with increased revenue projections.⁷⁰ WD-40 was set to report their third quarter earnings on July 9th which was a bit down the road but I wanted to try and buy

this stock early to try and get the lowest starting point as I speculated that the price of the stock would rise a bit leading to earnings being reported. As the week went on the price of the stock saw a rise and then fall to end the week. The slight decrease in value of the stock before earnings come out isn't a major tell of what the stock will do after earnings call so I am not concerned going into next week and am interested to see what unfolds in the coming days.



Figure 4.2.5.2 – Stock Price of WDFC from June 18th to July 22nd

The Simply Good Foods Comp. (SMPL) Continued: On July 2nd The Simply Good Foods Comp. reported positive third quarters earnings as they beat estimates and provided a positive outlook for the rest of the year.⁷¹ The positive news from the earnings call mixed with the positive momentum of the stock from the previous week helped the rise of the stock price over the coming days. The stock was also hitting new record highs with each passing day of the week as investors helped push the price of the stock up. As the week ended, gains stalled and leveled off leading me to sell my shares on July 8th for a price of \$27.72 a share for a total profit of \$4,934.00 making this my most profitable investment yet.

Bed Bath and Beyond (BBBY): After selling KB Home I purchased 2739 shares of Bed Bath and Beyond at a price of \$11.49 a share for a total investment of \$31,586.01. Bed Bath and Beyond had just brought in new management in the end of May to help transform and grow the company as their competition was taking business away.⁷² This is a bit of a risky investment as there is uncertainty surrounding what the company will report in the coming days but this stock has the potential to rebound with low expectations on the performance of the stock.



Figure 4.2.5.3 – Stock Price of BBBY from June 21st to July 26th

Summary of Trades Week 5

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
Motorcar Parts of America Inc.	MPAA	July 1	Sell	1646	\$ 18.03	\$ 20.67	\$ 4,335.44	\$ 23,096.70
Saratoga Inv Corp.	SAR	July 2	Buy	1400	\$ 24.28	N/A	N/A	
CarMax	KMX	July 2	Sell	312	\$ 83.00	\$ 87.69	\$ 1,453.28	\$ 18,761.26
WD-40	WDFC	July 3	Buy	171	\$ 159.69	N/A	N/A	
KB Home	KBH	July 3	Sell	1188	\$ 23.82	\$ 26.59	\$ 3,280.76	\$ 26,377.46
Bed Bath and Beyond	BBBY	July 8	Buy	2749	\$ 11.49	N/A	N/A	
The Simply Good Foods Comp.	SMPL	July 8	Sell	1200	\$ 23.60	\$ 27.72	\$ 4,934.00	\$ 31,311.46

Table 4.2.5 – Summary of Trades Week 5

4.2.6 Week 6

AAR Corp. (AIR): After selling The Simply Good Foods Comp. I invested in 855 shares of AAR Corp. on July 9th at a price of \$38.90 a share for a total investment of \$33,259.50. AAR is an aerospace company that mainly focus' on defense and government projects which is what made this stock stand out in the first place. The aerospace defense industry over the past two years has been able to outperform the broader market meaning that business has been good for these types of companies.⁷³ On July 10th AAR Corp. came out and reported their fourth quarter earnings report which beat expectations and saw the price of the stock continue to surge up. News of positive growth year to year, dividend payout of \$0.75 per share, and increased outlook for the coming year all helped with the surge.⁷⁴ As the week went on I continued to hold the stock to ride the momentum of the earnings report and maximizing my gains. Sadly, the stock took a bit of a hit on the last day of the week but overall the stock was still positive from my initial investment.



Figure 4.2.6.1 – Stock Price of AIR from June 21st to July 26th

WD-40 (WDFC) Continued: Third quarter earnings for WD-40 was released on July 9th after the market closed which beat analysts' expectations and set the stock up to rise in value over the next few days.⁷⁵ The next day the stock price did just that as it rose in value of roughly \$15 per share and continued to increase in value as the week went on. Even though the stock was still increasing in value I decided to sell my shares of the stock on July 11th at a price of \$176.37 per share for a total profit of \$2,842.28. I could have waited a bit longer to sell my shares but I did not feel confident in the stock increasing any more than what it had already done so I sold.

Saratoga Investment Corp. (SAR) Continued: The start of the week saw the price of the stock continue to fall ahead of the earnings report on July 10th as investors are uncertain in the performance of the company. A positive sign however emerged as the stock ended July 9th higher ahead of the quarterly earnings report which turned out to be a sign of what was to come. The next few days saw the price of the stock increase on the back of beat earnings expectations for their first quarter. Even though earnings per share were down \$0.01 per share from last year this was the fourth time that they had beat earnings estimates showing they were growing faster than expected.⁷⁶ In the following days I held onto my shares as the stock price continue to rise but stalled on the last day of the week. On that day in fear of the stock price dropping more I sold my shares for a price of \$24.57 a share for a total profit of \$396.00 which wasn't amazing but was better than taking a loss on the stock.

Bed Bath and Beyond (BBBY) Continued: On July 10th Bed Bath and Beyond reported their first quarter earnings which beat expectations but a negative future outlook hurt investors' confidence in the stock. Worries about other competitors like Target stealing business and decreased future outlook really hurt the stock's price which over the next few days was reflected in the stock's price tumbling.⁷⁷ At this point I was stuck in a sticky situation as the price continued

to fall as the week came to a close and showed no signs of going up anytime soon. Against some better judgement I continued to hold the stock through the end of the week hoping for a bounce back in price so I could sell. This is a terrible investment strategy as you should always have two set points at which you will sell on the high and low end to keep your investing in check. Lack of experience and following my gut instead of my head here has the possibility to severely hurt my portfolio but is a risk I am willing to take.

Citigroup Inc. (C): After selling WD-40 I purchased 463 shares of Citigroup at a price of \$71.77 per share for a total investment of \$33,229.51. Citigroup was set to report earnings for the second quarter on July 15th and is one of the first large banks to report second quarter earnings. Ahead of the earnings report it is predicted that Citigroup will beat expectations but the real factor that will affect the stock price will be the company's outlook of the future. Investors are also looking to see what Citigroup will announce regarding their dividend for the coming payout as many are anticipating an increase from previous yields.⁷⁸ Overall expectations are high for Citigroup to come out and report a good quarter after the IPO of Tradeweb was a success making this investment potentially promising. My only fear for this is that the potential gains in the stock have already been made and the stock stalls in price following the earnings report but time will tell.

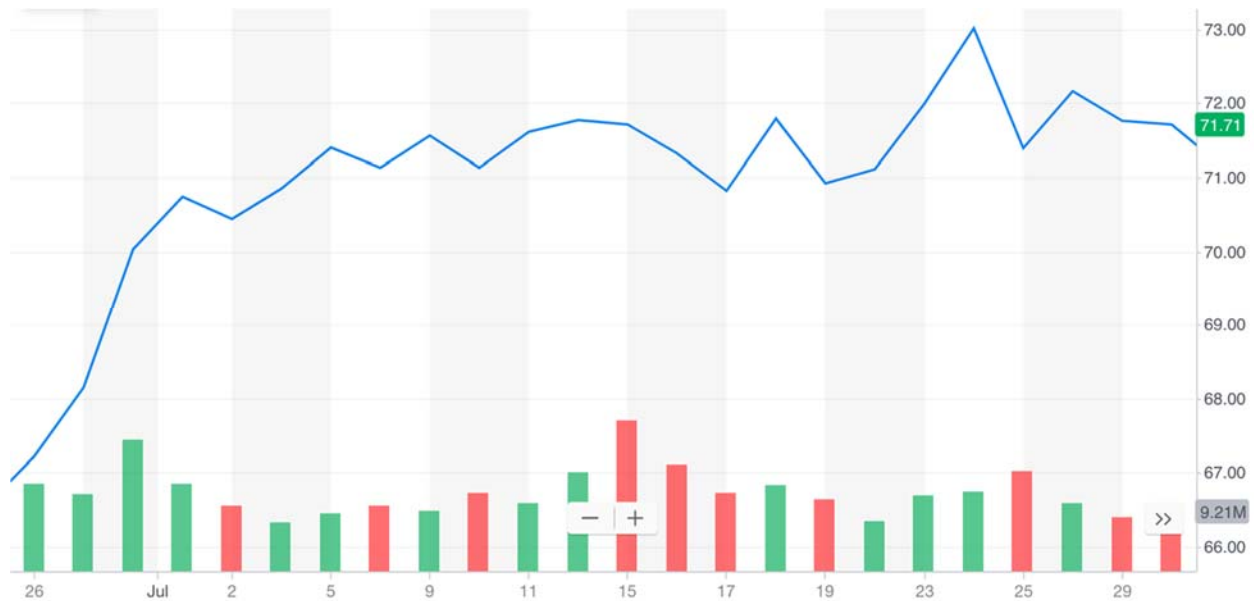


Figure 4.2.6.2 – Stock Price of C from June 26th to July 30th

Summary of Trades Week 6

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
AAR Corp.	AIR	July 9	Buy	855	\$ 38.90	N/A	N/A	
WD-40	WDFC	July 11	Sell	171	\$ 159.69	\$ 176.37	\$ 2,842.28	\$ 34,549.74
Citigroup Inc.	C	July 12	Buy	463	\$ 71.77	N/A	N/A	
Saratoga Inv Corp.	SAR	July 12	Sell	1400	\$ 24.28	\$ 24.57	\$ 396.00	\$ 31,707.46

Table 4.2.6 – Summary of Trades Week 6

4.2.7 Week 7

JB Hunt Transportation (JBHT): After selling Saratoga Investment Corp. I purchased 370 shares of JB Hunt Transportation at a price of \$92.58 per share for a total investment of \$34,254.60. JB Hunt Transportation was set to report their second quarter earnings on July 15th and had seen expectations from analyst’s decrease in the months leading up to earnings the earnings call. The previous quarter for JB Hunt was the first time in 4 quarters that they had missed their earnings estimates and as the second largest trucking group in the U.S. the pressure was on for a solid earnings report.⁷⁹ JB Hunt came out and reported their second quarter earnings which beat expectations and gave a very positive outlook towards the coming months as increased demand

over the horizon help surge the stock price the following day.⁸⁰ The positive earnings call helped the stock price rise well into the week as each day saw the stock just keep going up and up. I decided to continue to hold the stock for the rest of the week and would wait until next week to sell when an opportunity to sell aroused.



Figure 4.2.7.1 – Stock Price of JBHT from June 26th to July 30th

Bed Bath and Beyond (BBY) Continued: Holding Bed Bath and Beyond for an additional day turned out to be a mistake as the stock price continued to tumble on Monday. The following day I was able to catch a slight bump in the price of the stock and in this bump, I sold my shares at a price of \$10.80 a share for a total loss of \$1,906.81. This investment proved to be a mistake from start to finish but from this mistake I learned how important it is to set limits on what price points you will sell your shares to avoid the major losses.

AAR Corp. (AIR) Continued: Monday saw the price of the stock flatten out but still end in the negative for the day as investors sold of shares to cash in on gains. On July 16th the stock was able to rebound a bit and I took this as an opportunity to sell my shares for a price of \$41.96 a share for a total profit of \$2,606.30.

Union Pacific Corp. (UNP): After selling Bed Bath and Beyond I purchased 209 shares of Union Pacific Corp. on July 17th at a price of \$164.55 per share for a total investment of \$34,390.95. Union Pacific is a bit of a toss-up going into their quarterly earnings report as a few different factors have investors torn on where the earnings will end up. On one side weaker freight shipment demands could hurt the company but cuts to their bottom line from layoffs and consolidation could make up for the loss.⁸¹ Union Pacific has had a strong history of beating revenue expectations with five consecutive quarters of beating earnings estimates they seem as though they are more likely to beat than miss. On July 18th share prices increased due to an earnings beat which can be credited to efficient reduction of Union Pacific's bottom line as they were able to reduce outstanding shares and decrease fuel costs.⁸² This reduction of the bottom line outweighed the slight decrease in overall revenue to such a degree that the stock price rebounded from the severe sell off on July 17th. As the week ended the stock price continued to rise but not at the same volume of the previous day. I decided to hold my shares for a little while longer to see where the stock price would go after two consecutive days of positive growth.



Figure 4.2.7.2 – Stock Price of UNP from July 1st to August 1st

People’s United Financial Inc. (PBCT): After selling AAR Corp. I purchased 2200 shares of People’s United Financial Inc. at a price of \$16.27 per share for a total investment of \$35,794.00. People’s United was set to report their second quarter earnings on July 18th but what caught my attention was the acquisition of United Financial Bancorp on July 15th.⁸³ The news of the acquisition combined with recent earnings reports in which they beat and meet expectations leads me to believe they are set up for an increase in stock price. On July 18th People’s United reported their earnings and saw a small beat of expectations in regard to revenue but increases in bottom line expenses stood out as a negative for investors. The stock price over the week stayed relatively negative with a small increase only coming after the earnings report was released. Unfortunately, the small bump was negated in the following day leaving the stock only slightly higher from my initial investment. I decided to hold the stock for a little while longer to see if there will be any more positive gains off the back of this earnings report as there isn’t much negative that would bring the stock price down.



Figure 4.2.7.3 – Stock Price of PBCT from July 1st to August 8th

Citigroup Inc. (C) Continued: On Monday July 15th Citigroup reported their second quarter and were able to beat revenue expectations but despite the earnings beat the stock price fell slightly from Friday’s close. With the expectations being beat to see the price of the stock become unresponsive came as a shock and gave me some concerns. I continued to hold my shares as the week went on but I was mainly just looking for a good opportunity to sell and move on to the next investment. On July 18th the opportunity to sell finally came as the stock price rose and gave me the chance to sell so I sold my shares at a price of \$71.79 for a net loss of \$0.74.

RPM International (RPM): After selling Citigroup I invested in 533 shares of RPM International at price of \$62.29 for a total investment of \$33,200.57. RPM International is set to report their second quarter earnings on July 22nd and seem to be in a prime position to beat estimates. Even though the company has only been able to beat earnings expectations once over the past year RPM is coming off an earnings beat with little signs of slowing their growth. The chemical company is only projected to have a year over year growth of three percent which seems very conservative given the company’s growth over the past year.⁸⁴ On Friday July 19th when I

purchased the shares the stock had made a slight increase in price but this doesn't reveal much about what's to come in the following days. Until the earnings report is released on July 22nd I will hold and wait for what's to come.



Figure 4.2.7.4 – Stock Price of RPM from July 1st to August 8th

Summary of Trades Week 7

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
J.B. Hunt Transportation	JBHT	July 15	Buy	370	\$ 92.58	N/A	N/A	
Bed Bath and Beyond	BBBY	July 16	Sell	2749	\$ 11.49	\$ 10.80	\$ (1,906.81)	\$ 32,642.93
AAR Corp.	AIR	July 16	Sell	855	\$ 38.90	\$ 41.96	\$ 2,606.30	\$ 35,249.23
Union Pacific Corp.	UNP	July 17	Buy	209	\$ 164.55	N/A	N/A	
People's United Financial Inc.	PBCT	July 17	Buy	2200	\$ 16.27	N/A	N/A	
Citigroup Inc.	C	July 18	Sell	463	\$ 71.77	\$ 71.79	\$ (0.74)	\$ 35,248.49
RPM International	RPM	July 19	Buy	533	\$ 62.29	N/A	N/A	

Table 4.2.7 – Summary of Trades Week 7

4.2.8 Week 8

JB Hunt Transportation (JBHT) Continued: On Monday July 22nd the price of JB Hunt Transportation's stock leveled off and saw a slight decrease from the high of last Friday. After this turn over the course of Monday I decided to take my profits and sell my shares for a price of \$103.90 per share for a total profit of \$4,178.40. I could have held the stock for a bit longer to see where the price would go but I had already made some substantial gains in the investment and thought I could make more than what this stock had to offer.

Arch Coal Inc. (ARCH): After selling JB Hunt Transportation I purchased 425 shares of Arch Coal Inc. at \$90.26 per share for a total investment of \$38,360.50. Arch Coal Inc. is set to report quarterly earnings on July 24th and while some experts are being bearish in regard to the upcoming earnings four of the last earnings reports have beaten expectations.⁸⁵ In the past the stock has been known to be volatile and responsive to changes in the market making this investment riskier than others but has the potential to be a homerun. On July 24th Arch Coal released their second quarter earnings report which beat expectations and showed positive growth from the previous year.⁸⁶ Even though the earnings beat expectations the price of the stock only increased a few dollars by the end of the day. In the following days the stock went on a bit of a roller-coaster ride as the price went up and down every day leaving me a bit perplexed and confused. In the end I sold my shares on July 29th as the simulation came to an end and I had to liquidate all my investment. I sold the shares at almost the same price I purchased them at, \$90.27, only seeing the price increase one penny and netting a total loss of \$5.75.



Figure 4.2.8.1 – Stock Price of ARCH from July 8th to August 12th

Union Pacific Corp. (UNP) Continued: In the week following the positive earnings report the price of the stock stayed relatively unchanged over three days. This lack luster movement kept the stock price at a similar level to what the price was on July 16th showing that the price wasn't going to move much in the coming days. This conclusion led me to sell the shares on July 24th for a price of \$174.37 per share netting a total profit of \$2,042.38. The only reason I was able to make anything on this stock was due to me buying this stock at the right time when it dipped low on the 17th when people sold off their shares. If this sell off didn't happen I wouldn't have made much if anything off the stock but a profit is a profit so no complaints.

People's United Financial Inc. (PBCT) Continued: Going into the next week I was just looking for a turn in the stock's price so I could make a little profit and get out of this stock. On Monday the stock continued to fall as more investors sold off shares but there was a turn in the stock as Tuesday saw the stock's price rebound a bit but not to a point I would be able to make anything note worth on the stock so I continued to hold. On July 24th the stock made some small

gains but it was enough to push the price to a point at which my investment would be profitable. I sold my share of People's United for a price of \$16.65 per share for a total profit of \$826.00.

The Hershey Company (HSY): After selling Union Pacific Corp. I purchased 243 shares of The Hershey Company at \$149.72 per share for a total investment of \$36,381.96. The Hershey Company is set to report their second quarter earnings on July 25th and the main focus from investors is on the evaluation of the stock. Some analysts are concerned that the stock is overvalued and as a result don't think that the quarterly report will have a positive impact on the price of the stock.⁸⁶ As much as I want to listen to analyst's and respect their knowledge what they say cannot be taken as the only thing that can happen when looking at the future which is unknown. On July 25th Hershey reported their second quarter earnings and against the expectations set by analysts beat expectations with a net income of \$312.8 million.⁸⁷ In response to the earnings expectations beat the stock price saw two consecutive days of positive increases. Closing out the end of the week on a high meant that as long as nothing dramatic happened a profit in the stock was a guarantee. With the end of the simulation I sold the shares of The Hershey Company for a price of \$152.21 per share and a total profit of \$595.07.



Figure 4.2.8.2 – Stock Price of HSY from July 9th to August 12th

T-Mobile US Inc. (TMUS): After selling People’s United Financial Inc. I purchased 458 shares of T-Mobile Inc. at a price of \$79.91 per share for a total investment of \$36,598.78. T-Mobile was set to report their second quarter earnings on July 25th but this seemed not as important as the potential merger that was in the works with Sprint. The merger between the two companies is being held up by the courts that are determining whether or not to let the merger go through.⁸⁸ When earnings were released on July 25th T-Mobile reported a quarter that beat expectations on earnings per share by \$0.30.⁸⁹ In addition to this news came out that the merger between T-Mobile and Sprint that approval by the courts was very likely with the FCC chairman saying he was in favor of the merger. The stock price in response to all of the news stayed relatively neutral on July 25th but saw a sharp increase in the following day where the stock rose above \$84 per share. As the simulation came to end I sold my shares on July 29th after a slight decrease in value for a price of \$82.38 per share for a total profit of \$1,121.26.



Figure 4.2.8.3 – Stock Price of TMUS from July 9th to August 12th

RPM International (RPM) Continued: On July 22nd RPM International reported second quarter earnings of \$1.24 per share which came in ten cents higher than expected.⁹⁰ this beat of expectations lead the stock price increasing over eight percent and finishing the day at just over \$65 per share. For the following days the price of the stock continued to rise as investors were motivated by the positive earnings reports. These gains continued as the week came to a close with the momentum of positive gains continuing to push the stock value up. To end the simulation, I sold my shares on July 29th for a price of \$67.97 per share and a total profit of \$3,017.44.

Summary of Trades Week 8

Company	Stock Symbol	Date	Buy/Sell	# of Stocks	Starting point	Sell Point	Profit/Loss	Total Profit
J.B. Hunt Transportation	JBHT	July 22	Sell	370	\$ 92.58	\$ 103.90	\$ 4,178.40	\$ 39,426.89
Arch Coal Inc.	ARCH	July 23	Buy	425	\$ 90.26	N/A	N/A	
Union Pacific Corp.	UNP	July 24	Sell	209	\$ 164.55	\$ 174.37	\$ 2,042.38	\$ 41,469.27
People's United Financial Inc.	PBCT	July 24	Sell	2200	\$ 16.27	\$ 16.65	\$ 826.00	\$ 42,295.27
The Hershey Company	HSY	July 25	Buy	243	\$ 149.72	N/A	N/A	
T-Mobile US Inc.	TMUS	July 25	Buy	458	\$ 79.91	N/A	N/A	
RPM International	RPM	July 29	Sell	533	\$ 62.29	\$ 67.97	\$ 3,017.44	\$ 45,312.71
Arch Coal Inc.	ARCH	July 29	Sell	425	\$ 90.26	\$ 90.27	\$ (5.75)	\$ 45,306.96
The Hershey Company	HSY	July 29	Sell	243	\$ 149.72	\$ 152.21	\$ 595.07	\$ 45,902.03
T-Mobile US Inc.	TMUS	July 29	Sell	458	\$ 79.91	\$ 82.38	\$ 1,121.26	\$ 47,023.29

Figure 4.2.8 – Summary of Trades Week 8

5 Comparing and Analyzing the Two Strategies

After the eight-week simulation there was a good amount of data and information that could be extracted from that data to comb over. When looking at how to best use the data to help answer the initial questions posed by the IQP there were a few things that stood out. The most obvious place to start is the account balances at the end of the simulation to see which made the most money. When looking at the two results we can see that the swing trading had a total increase in value of \$47,023.29 or 47% whereas the buy and hold strategy had a total increase of \$10,645.16 or 10.6%. Based on this alone the better strategy for growing your money would be the swing trading as it had better return over the course of the simulation but this doesn't give the full picture.

Though the swing trading was more profitable the amount it beat the buy and hold by is a bit disproportionate for a few reasons. Both trading methods were used over the same course of time so the market here is not a factor that we can use to explain the difference in performance. The main difference in the value has to do with the mentality behind each strategy and the goals that each had going into the simulation. Both had the goal to make as much money as possible but where the swing trading had the ability to make more trades and ride the movement in the market more effectively compared to the buy and hold which was locked into the stocks selected. Being locked in hurt the performance of buy and hold as the stocks were spread out over different industries to offset the volatility in the market which worked for retaining the value but hindered potential gains. The dividends the stocks were receiving was the main drive for the purchase of the stocks but as the simulation was only eight weeks the total value of the dividend was not captured. If the full dividend was paid out over the year that would have been an additional \$5,556.69 giving the portfolio a total year to date increase of \$16,201.84 or 16.2% which is much closer than before.

Further creating a divide in the two each portfolio's profits are looked at by the government differently based on the time each stock was held. While the short-term trading was great for capitalizing on short term movements in the market this trading is taxed a higher rate than long term investments which are considered capital gains after one year.⁹¹ So, if you were filling a tax return for the swing trading account you would be paying the regular income tax rate for your tax bracket. For the buy and hold account as long as the assets are held for a year they are in a lower tax bracket based on your current tax bracket. The other positive is the tax would not be assessed on the asset until the stock is sold so the constant flow of dividends if reinvested into the stock and held for one year would be taxed a lower rate making the gains greater.

Last the non-measurable factor that determines which strategy is better is the time each strategy took to execute. As imagined the buy and hold strategy didn't take much time each week as I mainly just checked in on the stock to make sure everything was ok once a week which turned out to be a small-time commitment. This over the course of the year would mean it would be easy to keep up making it an attractive option for busy investors. The swing trading method was very time consuming and took up most of each day in research and monitoring the stock price of each investment from day to day. The only way someone would be able to effectively use this method of trading would be to rely on these gains for your source of income as it wouldn't be possible to work and swing trade on the volume I did. This being said it would be very possible to live off the gains as if you take amount I made and stretch it out to reflect the whole year it would amount to \$282,139.74 or a return of 282%.

To best determine which investment strategy was the most profitable really doesn't depend on how much each account returned but how much time was spent to make that money. So for those wondering how they should invest their money they should really be asking themselves how

much time they are willing to invest into investing. For someone who loves to study the market and is driven to the research then the swing trading strategy would be perfect for them. They would be able to use their research and knowledge to make the short-term trades to create the gains they are after. While it would be ideal for everyone to use this trading strategy it isn't possible for most young investors who are too busy with their own job so for them the buy and hold strategy is better. This would allow them to still create great returns to grow their wealth without the major time commitment they cannot give.

6 Conclusion

The simulation though it was only eight weeks long was able to teach me more about the stock market than I would have learned in any class. Waking up every day to study and analyze the market to look for potential trends or opportunities to buy gave me a great amount of knowledge. Being totally emerged in the process gave me a glimpse into the life of a professional trader and the demands the job has on a day to day basis. The amount of work needed to be done on research on top of the external pressure to meet a number of expectations from their boss makes this job very difficult but extremely rewarding. The feeling of having an investment making huge gains gave me a feeling of joy and accomplishment while having a loss hurt and had the potential to rattle my confidence. These feelings and emotions can get the best of people causing smart people to make dumb decisions which can ruin lifelong savings. The biggest takeaway from the whole experience is that nothing in the investing is certain until the stock is bought and sold. With this uncertainty comes risk and whenever there is risk there is potential to come out on top or be defeated. Investing is not an easy thing people can do to make money, it takes time to research and know what's going on in the markets and it all comes a massive risk that one day every dollar invested could be gone. So, before anyone decides to invest in the stock market they should ask themselves these simple questions.

How much time and I willing to spend on this?

Why am I investing?

What kind of risk am I willing to take on?

What am I looking to get out of my investments?

Once someone has answered these questions they will have a plan of how they will invest and what actions they need to take to make their investments successful.

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