

Sun City Summerlin Computer Club

**Internet Investing
SIG**

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April 22, 2015**

SIG Meeting Schedule

- **The Internet Investing SIG meets every other “even” month on the third Thursday morning at 9 AM. The next six meetings will be:**
 - *June 18, 2015*
 - *August 20, 2015*
 - *October 15, 2015*
 - *December 17, 2015*
 - *February 18, 2016*
 - *April 21, 2015*

Recent Market Moves

- **Let's Look at Recent Charts for Market Averages**
 - *Dow Jones Industrials Chart ^DJI*
 - *S&P 500 Chart ^GSPC*
 - *Nasdaq 100 Chart ^IXIC*
 - *Russell 2000 Chart ^RUT*
- **The markets dropped then have rebounded to new highs.**
 - *Dow has bounced up and down from 16,140 to over 18,100.*
 - *Volatility now seems to be the norm.*
- **What did *YOU* do (if anything) in the past two months?**
 - *Buy on the dips? Sell (at the bottom or at the top)? Hold?*
 - *Did you buy Puts? Buy Calls? Sell Puts? Sell covered Calls?*
 - *Did you or will you buy in near the bottom?*
- **What do *YOU* think will happen in the next 3-6 months?**
- **What's the best strategy to follow?**

Fundamentals

- **Dollar has gained against foreign currencies.**
 - *Oil priced in dollars.*
 - *Saudis and Iran are pumping and flooding the markets*
 - *Crude oil (now about \$52) and many energy stocks are still low.*
 - *Other commodity prices and stocks of producers still down.*
 - *Marginal drilling ventures are shutting down or may get bought out.*
 - *Gasoline is still cheap (but up from its lows)*
- **ISIS in the middle east causing great concern.**
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has pushed bond yields down. 10 year Treasury note yield about 1.90%*
- **Obamacare policies kicking in – more cancellations, rate hikes.**
- **Republicans won the 2015 House and Senate but have no focus.**
- **General sense remains that the government doesn’t want to deal with these issues.**
- ***Dow at near-record highs. Can it continue?***

Fixed Income Investments

- **Bank CDs**
 - *Many available online*
 - *New! Indexed CDs tied to currency, stock or commodity indexes.*
- **Individual Bonds**
 - *Buy and sell via a broker (corporates, state and local munis)*
 - *Can also buy US Govt. bonds from www.TreasuryDirect.gov*
- **Bond Funds and ETFs**
 - *Buy and sell via a broker*
 - *Many are commission free*
- **Individual Preferred Stocks**
 - *Buy and sell via a broker*
- **Preferred Stock Funds and ETFs**
 - *Buy and sell via a broker*
 - *Many are commission free*

Fixed Income – Bank CDs

- <http://www.bankrate.com/cd.aspx>
- **Bank CD is an account that holds your funds for a fixed time duration and pays a fixed interest rate. Many variations:**
 - *Current rates are pretty low.*
 - *Durations: 3 months, 6 months, 1 year, 2 year, 5 year, 10 year*
 - *Some adjust interest rates up if market rates increase.*
 - *New types may tie appreciation to some market index (e.g. S&P 500).*
 - *Most have automatic roll-over provisions.*
 - *Most brokerage houses will let you “buy” CDs via their trading interface.*

Fixed Income - Bonds

- http://en.wikipedia.org/wiki/Bond_market
- A bond is a promise to repay a set amount (face or par value), typically \$1000, at some future time, with a stated rate of interest (coupon rate).
- Bonds trade on the open market. Actual bond price may be above or below the par value depending on how the coupon rate compares to prevailing interest rates and based on how long until the bond is to be repaid (maturity date).
- Bond price also depends on how likely the issuer is to repay the bond. Rating services like Fitch rate bond issuers. Bonds with low ratings (reflecting more risk of loss) typically have lower prices.
- Bonds may be issued by businesses, state and local government agencies, by the Federal government and by foreign governments.
- For state and local governments, bond interest is usually exempt from Federal income tax. Interest rates are often lower.

Fixed Income – Bond Funds/ETFs

- <http://www.finra.org/investors/bond-funds>
- **Bond funds are managed and contain a large portfolio of individual bonds.**
 - *Bond funds are priced daily like any other mutual fund at COB.*
 - *Distributions are a mix of interest and capital gains.*
 - *Distributions are taxed based on the taxability of the interest of the bonds held.*
 - *Expenses can be relatively high (> 1%).*
 - *The fund manager buys and sells on occasion. There may be capital gains and losses.*
- **Bond ETFs typically track some index**
 - *Bond ETFs trade all day.*
 - *Dividends are taxed based on the taxability of the interest of the bonds held.*
 - *You may also be able to buy Put and Call options on Bond ETFs.*
 - *Expenses are relatively low (< .5%), because management is passive.*

Fixed Income – Preferred Stocks

- <http://www.investopedia.com/terms/p/preferredstock.asp>
- Preferred Stocks are a form of stock issued by corporations
 - *Usually receive a higher dividend rate.*
 - *Usually have no voting rights.*
 - *Trade via a broker.*
 - *Price and dividend can fluctuate, but volatility is usually low.*
 - *Preferred stock is senior to Common stock, but junior to debt-holders and other claimants.*
 - *Dividends are usually taxed at qualified rates, so may be preferable to getting interest.*
 - *Some preferred stocks may be convertible into common stocks.*
 - *Some preferred stocks may be callable by the issuer.*

Fixed Income – Preferred Funds/ETFs

- <http://etfdb.com/type/preferred-stock/all/>
- Preferred stock funds are managed holding a large portfolio of individual preferred stocks.
 - *Preferred stock funds are priced daily like any other mutual fund at COB.*
 - *Distributions are a mix of dividends and capital gains.*
 - *Expenses can be relatively high.*
 - *The fund manager buys and sells on occasion. There may be capital gains and losses.*
- Preferred stock ETFs typically track some index
 - *Preferred stock ETFs trade all day and operate for tax purposes like stocks.*
 - *You may also be able to buy Put and Call options on Preferred stock ETFs*
 - *Expenses are relatively low, because management is passive.*
- Generally, both ETFs and Funds will rise when market fundamentals are favorable
 - *Low and falling interest rates.*
 - *Corporate profits and dividends rising.*

Open Discussion