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**Stock Market Challenge**

**Written Report**

### The top 4 investments we made were Bombardier, Pacific Rubiales Energy, Skull Candy, and May 14 Futures for Coffee.

### Bombardier is a company in the transportation sector that is mainly known for their aircrafts and trains. With Bombardier having recently singed a major contract with Transport for London (TFL) for the provision of new trains, we decided to invest in Bombardier stocks as we predicted a rise in stock price. We initially bought 1337 Bombardier (BBD.B) shares on February 24th for the price of $3.61 per share. As we realized the magnitude of the recently signed contract, we decided to immediately purchase 20, 000 more shares at a cheaper price of $3.58 per share. Ever since that day, the price of the stock was rising, up until $4.12 a share. This rise was a 13% change which gave us a very high return, consequently we ending up making roughly $11, 500.

### Pacific Rubiales Energy (PRE) is a Canadian petroleum exploration and production company in the business of natural gas. We purchased 1337 shares of PRE on February 28th at $15.36 each because we predicted stock prices to rise due to a recent deal with Ecopetrol. In the end, PRE’s share price increased to $18.95 which gave us a 19% overall increase. All in all, we made a profit of $5000 from Pacific Rubiales Energy.

### Our third best investment was Skullcandy (SKUL). Skullcandy is a designer, marketer and distributor of performance audio and gaming headphones. We decided to short Skullcandy as the stock price had increased over 50% within just one day due to the release of a new product. At first, we bought 1000 SKUL shares short on March 7th for the price of $10.55 per share. However, as SKUL continued to rise, we decided to short another 8337 shares at a price of $10.63 per share. As predicted, the price of SKUL decreased dramatically by March 13th, at which point we covered our short at $9.35 per share, yielding a profit of $10, 000.

### The coffee future which ends on May 2014 was our best performing future. We bought 1 share on March 31st at [price] on March 31st. The value of the future had increased to [price] by April 4th at which point the stock market closed. In total, we gained a $2000 profit, making this investment one of our top four.

### [need price we paid]

### 2. One stock that we bought short was BioFuel Energy (BIOF). BioFuel Energy is a holding company which produces and sells ethanol and its co-products (primarily distillers’ grain and corn oil). We made the decision to short BioFuel Energy as the stock price had increased over 130% within two days due to a recently with contract with Greenlight Capital. We initially purchased 1337 BIOF shares short on March 31st for $6.74 per share, but realized that the price was rapidly climbing and decided to buy another 2000 shares short for $7.18 per share. In the end, our prediction was accurate as the price of BIOF dropped down to $5.56 per share, at which point we covered out short position, yielding a $3000 profit.

3. At the end of the stock market challenge, our portfolio value was $469, 637.50 which was $30, 362.50 less than what we originally had for our investments. On the first week of the Nippising Stock Mark challenge we did not make many risky investments, we purchased stocks that were safe and relative well known. Our portfolio value was after the first week was $499, 223.63. A week later, after having done some short selling, our portfolio value increased to $501, 613.83 as most of our stocks had increased in value. Around two weeks later, after having invested in futures, options and mutual funds, our portfolio value decreased to $497, 334.84. Our mutual funds and futures were performing quite poorly, however many of the stocks were increasing in value, such as Bombardier. One week later, the stock market challenge ended and we finished with a high loss in our portfolio value. This was due to many of our futures which did very poorly, resulting in us losing over $30, 000. On top of that, we had bought 6337 shares of Plug Power (PLUG) as its stock value was rapidly increasing, and didn’t sell it until it dropped drastically in value. With PLUG’s recent contract with Wal-Mart, many individuals purchased the stock, driving it up in value and once it was at its peak, people began to sell their stocks for huge profits, which caused the price to fall drastically. Unfortunately, we did not sell our shares when it was at its peak, hoping that the price would continue to rise. Due to this, we had sold our shares when the value plunged in fear that it would decrease even more. To our dismay, the stock value eventually rose and we had lost a ton of money because of our rash decisions. Our overall return was -6.07% and out monthly return was -4.38%.

4. Through this simulation of the stock market, we have learned many useful tips about investing for future purposes. From Plug Power (PLUG), we have learned to never panic when the stock prices fall. It is better to buy and hold your stocks, rather than selling them low. When you hold your stocks, you have a lower chance of losing money as the stock value can still potentially increase. As the stocks of many companies fell drastically, we mistakenly sold them, resulting in an immense loss. Another lesson we have learned through buying futures is to actively watch all your investments carefully to view all your losses and profits, and to be quick to act when speculating. For futures, the risk is high, so one small drop in price results in a huge loss. If we had checked on the future more often, we would have sold our futures much sooner to lower our losses.

If we were to do this simulation again, we would use limit and stop sells whenever we invest in a stock, so that we could minimize our losses. Since we did not do that, our stocks dropped very low, and we could not recover from the loss as we did not get actively watch our stocks. Another thing we would do differently is not following all the trends. The PLUG investment we made was due to a trend we noticed in the market, we also invested a lot of money into PLUG, but did not sell it when it was at its highest. Due to this, we lost a great deal of money because instead of selling the stock when it was at its peak, we hoped that it would increase even more, only to be proved wrong. Lastly, we would buy higher quantities of stocks that are of higher quality, such as the blue chip stocks. Since these stocks are generally safe and reliable, they provide assurance of making a profit, which can be more beneficial than investing in risky stocks as you could potentially lose a lot of money. We also learned that it is better to have a few good stocks from each sector, rather than having many average stocks from all sectors as many of our stocks did exceptionally well, but did not make us a large profit because we did not invest a great amount of money into them. In the end, this simulation was a great experience for us because it taught us how to invest effectively into stocks without losing a large amount of the original investment.