

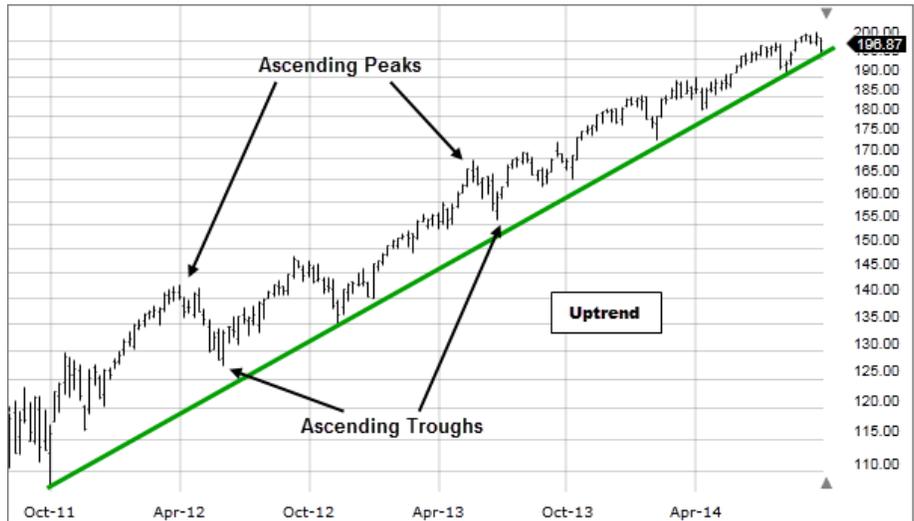
# The Chart of Investing

By Vincent Young

Have you heard the saying, “Buy low, sell high?” Maybe you said it yourself when your teacher told you that the class would be playing The Stock Market Game™ (SMG).

If you have not heard the saying before, it means buy a stock at its lowest price and then sell it at its highest. The difference between the price you bought it for and the price you sold it for is your profit or the money you have earned.

However, the saying does not tell you when a stock is at its lowest price or when it will be at its highest. Look up the historical data for a stock in your SMG portfolio. You can find the information in your stock’s price quote. The price goes up and down every day, so how do you know when to buy low, sell high, or, if you already own the stock, hold on to it because it has reliably earned you a profit so far?



**Stock Chart 1.** Source: <https://www.fidelity.com/learning-center/trading-investing/technical-analysis/basic-concepts-trend>

## Stock Charts

Instead of reviewing the long, eye-straining list of prices in a stock’s historical data, investors use a stock chart. Stock charts are one of the tools experienced investors use to figure out whether to buy, sell, or hold a stock. It is a picture that shows when a price drops and when it increases. A stock chart can provide you with the price changes that have occurred during a single day or over the past 10 years and longer. Investors use this information to establish a pattern for a stock’s price changes.

## Uptrends

If they notice that a stock’s price rises higher after each time it falls and that its price never falls lower than its previous drop, they may interpret it as a sign of an “uptrend.” The highest price of a stock right before its price falls is called a “swing high” or “peak.” Uptrends are made up of a series of swing highs.

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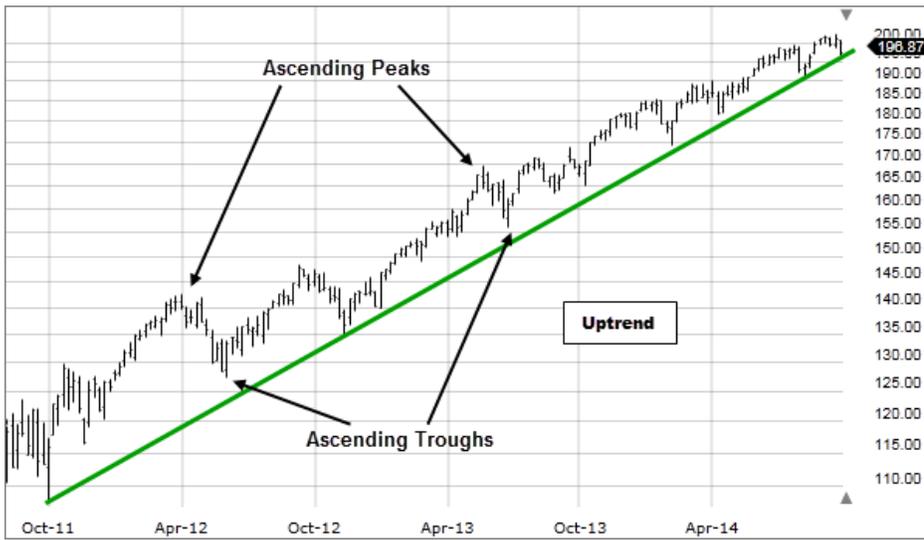
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**Stock Chart 2.** Source: <https://www.fidelity.com/learning-center/trading-investing/technical-analysis/basic-concepts-trend>

An easy way to remember the characteristics of an uptrend is to remember that it is a stock price’s “higher highs and higher lows.” Some investors believe that uptrends are a good time to buy stock. Not when the price is at its peak but at its trough. They want to “buy low.”

To confirm that a stock is on an uptrend, investors analyzing its price chart may draw a straight line from the first time the price fell to the most recent time. This line is called a “trendline.” As long as the

price does not fall below the trendline, the stock can be said to be on an uptrend.

### Downtrends

Downtrends are the opposite of uptrends. In a downtrend, a stock’s price does not rise above its previous high price and falls lower than its previous low price. The lowest price of a stock before its price rises again is called a “trough” or a “swing low.” Downtrends are made up of a series of swing lows.

A trendline for a downtrend or a “downtrend line” shows a stock price’s “lower lows and lower highs.” A downtrend line is drawn from the stock’s first peak to its most recent. It must show “lower highs” in order for the stock to be considered in a downtrend. Some investors also believe you should hold onto your stocks during a downtrend because even if the price rises it is still a “lower high.”

### Buy, Sell, Hold

Stock charts are just one of the tools you might use to make your investing decisions. Each investor has their own financial and life goals. They have their own criteria for determining a “good investment.” It might be tied to their personal risk tolerance or their sense of social responsibility and value. Perhaps, the best method for you to decide whether to buy, sell, or hold is to make a list of the most important things a company must do for you to consider them a good investment.

### TO THINK ABOUT

1. Did you know that in addition to uptrends and downtrends, there is a “sideways trend?” What do you think it is? Read this Fidelity article on trends and write a brief explanation for someone unfamiliar with investing and the idea of trends. Be sure to be descriptive so the person has a clear idea of what you are referring to. <https://www.fidelity.com/learning-center/trading-investing/technical-analysis/basic-concepts-trend>
2. Can you spot the trend in the price of Disney stock? Visit [www.cnbc.com](http://www.cnbc.com) and look up the price quote for Disney (Ticker: DIS). Locate its stock chart and change its setting from one day (1D) to six months (6M). Change its Chart Style (  ) to “Candle” to make the high and low prices easier to see. What was its last price trend? Uptrend or downtrend? When did it occur?
3. Using the information you gathered in question 2, would you advise your SMG team to buy Disney right now? Please explain your decision in detail.
4. Use the same process in question 2 to determine whether to buy, sell, or hold a stock in your team portfolio. Please explain your decision in detail using what you have learned about trends so far.