

# International Management Studies

Lecture 3

2025.3.19

# I. Investment Management for Stock

1. What is stock investment ?
2. What are the histories of major stock markets ?
3. History of major companies
4. What are the stock investment process ?

# 1. What is stock investment ?

In investment, a **stock (also called equity)** represents **ownership in a company**.

When an investor buys a stock, ***they purchase a small fraction of ownership in that company***, known as a **share**.

## Key Features of Stocks in Investment:

- 1. Ownership Rights** – Stockholders are partial owners of the company and may have voting rights in corporate decisions.
- 2. Capital Appreciation** – If the company grows and performs well, the stock's price may increase, allowing investors to sell at a profit.
- 3. Dividends** – Some companies distribute part of their profits to shareholders in the form of dividends.
- 4. Market Volatility** – Stock prices fluctuate based on company performance, economic conditions, and investor sentiment.
- 5. Types of Stocks:**
  - 1. Common Stock** – Usually grants voting rights and potential dividends.
  - 2. Preferred Stock** – Prioritized dividend payments but limited or no voting rights.

Investing in stocks can be a way to build wealth over time but comes with risks, including price volatility and market downturns.

# What is a Stock?

- A stock represents ownership in a company.
- Buying a stock means owning a small part of the company (share).
- Stocks are traded on stock exchanges like NYSE NASDAQ, KSE and KOSDAQ.

# Why Invest in Stocks?

- Potential for capital appreciation (stock price increases over time).
- Some companies pay dividends (profit sharing with investors)
- 
- Ownership and voting rights in some cases.
- Helps build long-term wealth.

# Example of capital appreciation

## **Example of Capital Appreciation in Stock Investment**

Capital appreciation occurs when the value of a stock increases over time, allowing an investor to sell it at a higher price than they originally paid.

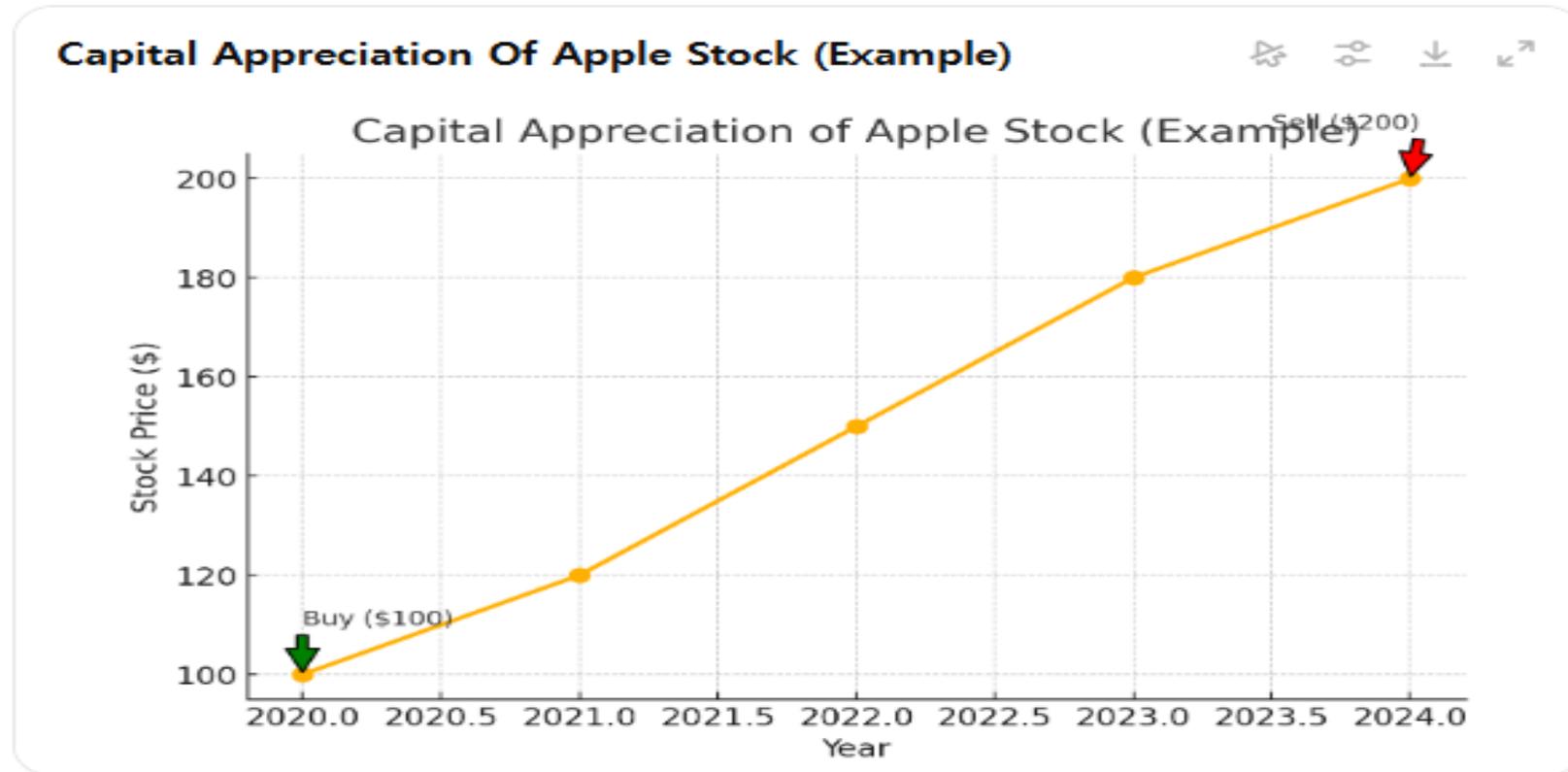
### **Example: Apple Inc. (AAPL)**

- Suppose you bought **10 shares of Apple Inc. (AAPL)** at **\$100 per share** in **2020**.
- The total investment would be **\$1,000** ( $10 \times \$100$ ).
- By **2024**, Apple's stock price increased to **\$200 per share**.
- Now, your investment is worth **\$2,000** ( $10 \times \$200$ ).
- **Capital Appreciation = New Value – Initial Investment = \$2,000 - \$1,000 = \$1,000 Profit.**

**Illustration**

## Illustration

I will now generate a visual illustration showing capital appreciation using a stock price graph.



Here is a visual illustration of **capital appreciation** using an example of Apple Inc.'s stock price increasing from **\$100 in 2020 to \$200 in 2024**. The graph shows how the stock price gradually rises over the years, leading to potential profit for investors.

# <Risks of Investing in Stocks>

- Stock prices fluctuate [\(VIX\)](#) due to market conditions.
- There is a risk of losing money if the stock value declines.
- Companies may not always pay dividends.
- Requires research and market understanding.

# Understanding VIX (Volatility Index) in the Stock Market

The **VIX (Volatility Index)** is often referred to as the “**Fear Index**” because it measures market volatility expectations. It is a key indicator that reflects investor sentiment and market risk.

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## 1. What is VIX?

- The **VIX** is an index that represents the **expected volatility** of the stock market over the next 30 days.
- It is calculated based on the **implied volatility of S&P 500 options**.
- A **higher VIX** means more expected volatility (uncertainty/fear).
- A **lower VIX** means less expected volatility (stability/confidence).

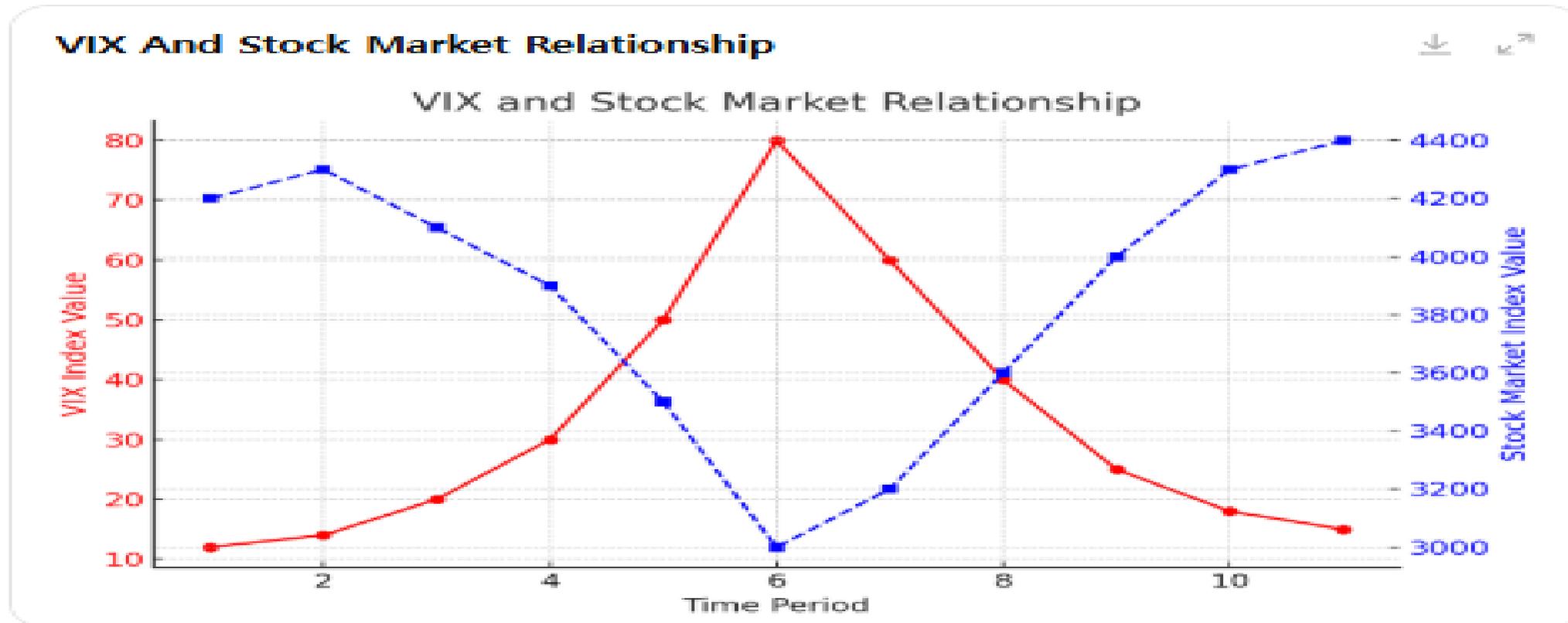
## 2. How to Interpret the VIX?

VIX Value	Market Sentiment
Below 15	Low volatility → Market stability & confidence
15 - 25	Moderate volatility → Normal market fluctuations
Above 25	High volatility → Increased market fear & uncertainty
Above 40	Extreme volatility → Financial crisis or panic

- **Example:** During the 2008 financial crisis and the 2020 COVID-19 crash, the VIX spiked above **80**.
- 

## 3. Relationship Between VIX & Stock Market

- **Inverse Relationship:** When VIX **rises**, stock markets **fall** due to fear.
- When VIX **falls**, stock markets **rise**, indicating investor confidence.
- Traders use the **VIX to hedge risk** and **predict market movements**.



### Illustration: Relationship Between VIX and Stock Market

The graph above shows how **VIX** (red line) and the **stock market index** (blue line) move **inversely**:

- When **VIX rises**, stock prices **fall** (increased market fear).
- When **VIX drops**, stock prices **recover** (increased market confidence).
- **During crisis events (high VIX)**, stock markets experience major downturns.

# Types of Stocks

- Common Stock: Voting rights, potential dividends, higher risk
- Preferred Stock: Fixed dividends, less risk, no voting rights.
- Growth Stocks: High potential but volatile.
- Dividend Stocks: Regular income through dividends.

# How to Start Investing in Stocks?

1. Open a brokerage account. (see the next page)
2. Research and choose stocks based on company performance
3. Diversify your portfolio to manage risk.
4. Monitor and adjust investments regularly.

Foreign students residing in Korea can open brokerage accounts to invest in the Korean stock market. Here's a guide to the process:

### 1. Eligibility and Documentation

- **Alien Registration Card (ARC):** If you've been in Korea for **over 6 months**, possessing an ARC allows you to open a brokerage account without additional registration. [hankuklife.com](#)
- **Passport:** A valid passport is required for identification.
- **Bank Account:** A Korean bank account is necessary for fund transfers related to your investments.

### 2. Choosing a Brokerage Firm

Several Korean brokerage firms facilitate account openings for foreigners:

- **Samsung Securities:** Offers account opening services for foreigners with necessary documentation.
- **BNK Securities:** Provides account opening services for foreign investors, requiring documents such as a passport and Alien Registration Card. [hankuklife.com](#) +2

### 3. Account Opening Procedure

- **In-Person Visit:** Visit a local branch of your chosen brokerage firm. [brokerchooser.com](#)
- **Required Documents:** Bring your ARC, passport, and bank account details. [hankuklife.com](#)
- **Application:** Complete the account opening forms provided by the brokerage.
- **Verification:** The brokerage will verify your documents and process your application.

# Conclusion

- Stocks are a great way to build wealth but come with risks.
- Understanding market trends is key to successful investing.
- Start with small investments and learn over time.
- Diversification reduces risk and increases stability.

2. What are the histories of stock investment ?

# 1) The Birth of Stock Trading (1602)

- The Dutch East India Company (VOC) issued the first publicly traded shares.
- Investors could buy and sell shares, creating the first stock market.
- The Amsterdam Stock Exchange became the first official stock market.

## 2) Expansion of Stock Markets (1700s-1800s)

- 1773: The London Stock Exchange (LSE) was established. 1792 : The New York Stock Exchange (NYSE) was formed under the Buttonwood Agreement. Stock markets became global, allowing companies to raise capital.

### 3) The First Stock Market Crashes (1929)

- 1920s: Speculation in stocks led to a financial bubble. 1929: The Wall Street Crash wiped out 90% of stock values. The **SEC** was created in 1934 to regulate stock trading.

## 4) The Rise of Modern Investing (1950s-1980s)

- 1950s: Mutual funds became popular for investors. 1971: **NASDAQ** launched as the first electronic stock exchange. 1980s: Digital trading replaced paper transactions.

## 5) The Internet Revolution (1990s-2000s)

- 1990s: Online trading platforms enabled direct stock trading.  
2000: The dot-com bubble burst, causing huge losses. 2008: The Global Financial Crisis triggered another crash.

## 6) The Era of Tech Stocks & ETFs (2010s-Present)

- FAANG stocks (Facebook, Apple, Amazon, Netflix, Google) dominated markets. **ETFs** became popular for diversified investing. 2020: The COVID-19 pandemic caused a crash followed by a rapid recovery.

# 7. The Future of Stock Investment (2020s and Beyond)

- **AI** and algorithmic trading are reshaping stock markets. **Cryptocurrencies** and blockchain are influencing strategies. Commission-free trading apps like **Robinhood** and **eToro** make investing accessible.

# Conclusion

- Stock markets evolved from physical trading to digital platforms. Understanding past trends helps investors prepare for future changes. Investing knowledge is crucial for informed decisions.

# <sites to see the stock prices>

## 1. **Yahoo Finance** ([finance.yahoo.com](https://finance.yahoo.com))

- Offers **interactive stock charts** with historical data.
- Provides **technical indicators** like Moving Averages, RSI, MACD, etc.
- Covers **news, earnings reports, and financials** of companies.

## 2. **TradingView** ([tradingview.com](https://tradingview.com))

- Advanced **technical analysis tools** with customizable charts.
- Allows users to apply **indicators, trend lines, and Fibonacci retracements**.
- Provides **real-time market updates and trading ideas**.

## 3. **Google Finance** ([google.com/finance](https://google.com/finance))

- Simple and easy-to-read **stock price graphs**.
- Provides **news, earnings reports, and market trends**.
- Good for **quick stock price lookups**.

## 4. **Investing.com** ([investing.com](https://investing.com))

- Detailed **candlestick and line charts** for U.S. stocks.
- Allows **comparison of multiple stocks** on the same graph.
- Offers **pre-market and after-hours trading data**.

# <sites to see the stock prices>

## **5. MarketWatch ([marketwatch.com](https://www.marketwatch.com))**

- Provides **live and historical stock charts**.
- Includes **market insights, earnings reports, and investment analysis**.
- Suitable for **long-term investment research**.

## **6. Nasdaq ([nasdaq.com](https://www.nasdaq.com))**

- Displays **stock charts for companies listed on Nasdaq**.
- Provides **real-time quotes and performance metrics**.
- Useful for tracking **tech-heavy stocks**.

## **7. The Wall Street Journal (WSJ) ([wsj.com](https://www.wsj.com))**

- Provides **stock charts and financial news**.
- Ideal for **in-depth analysis of market trends**.
- Requires **subscription** for some features.

## **8. StockCharts.com ([stockcharts.com](https://www.stockcharts.com))**

- Offers **customizable technical analysis charts**.
- Includes **pattern recognition tools** for traders.
- Suitable for **chart-based trading strategies**.

## <sites to see the stock prices>

### **9. CNN Business ([cnn.com/business](http://cnn.com/business))**

- Provides stock price charts with market summaries.
- Includes news and analysis on major market movements.

### **10. Bloomberg ([bloomberg.com](http://bloomberg.com))**

- Displays real-time stock data and news.
- Offers interactive market charts for professional traders.

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4. What are the stock investment process for individual investors ?

# 1. Setting Investment Goals & Choosing a Brokerage

- Define financial objectives (Wealth growth, retirement, passive income).
- Identify short-term vs. long-term investment plans.
- Assess risk tolerance (Low, Moderate, High).
  
- Select a reliable brokerage (e.g., Fidelity, E-Trade, Robinhood).
- Consider fees, ease of use, and research tools.
- Submit ID verification and link a bank account.

## 2. Researching Stocks & Buying Stocks

- Analyze company fundamentals (Revenue, Profit, P/E Ratio).
  - Use technical indicators (Moving Averages, RSI, MACD).
  - Stay updated with market trends and economic news.
- 
- Choose stocks based on research and strategy.
  - Place an order: Market Order, Limit Order, or Stop-Loss Order.
  - Monitor stock price movements after purchase.

### 3. Monitoring Investments & Selling Stocks

- Track portfolio performance regularly.
  - Diversify investments across different sectors.
  - Adjust holdings based on market conditions.
- 
- Sell stocks based on profit targets or risk management strategies.
  - Consider short-term trading vs. long-term investing for tax benefits.
  - Reinvest profits or withdraw to a bank account.

## 4. Summary

- Stock investment requires research, planning, and risk management.
- Diversification and long-term strategies reduce risks.
- Stay informed and continuously refine investment decisions.

## 5. Graphs of major US firm's stock

# NVIDIA Corporation (NVDA) ⓘ

🇺🇸 NASDAQ ▾ Currency in USD

📄 NVDA Pro Research

## 115.58 -0.16 (-0.14%) ▾

🕒 Closed · 13/03

🌅 Pre Market ▲ 119.14 +3.56 (+3.08%) 08:33:11

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# Apple Inc (AAPL) 📄

🇺🇸 NASDAQ ▾ Currency in USD

 AAPL Pro Research

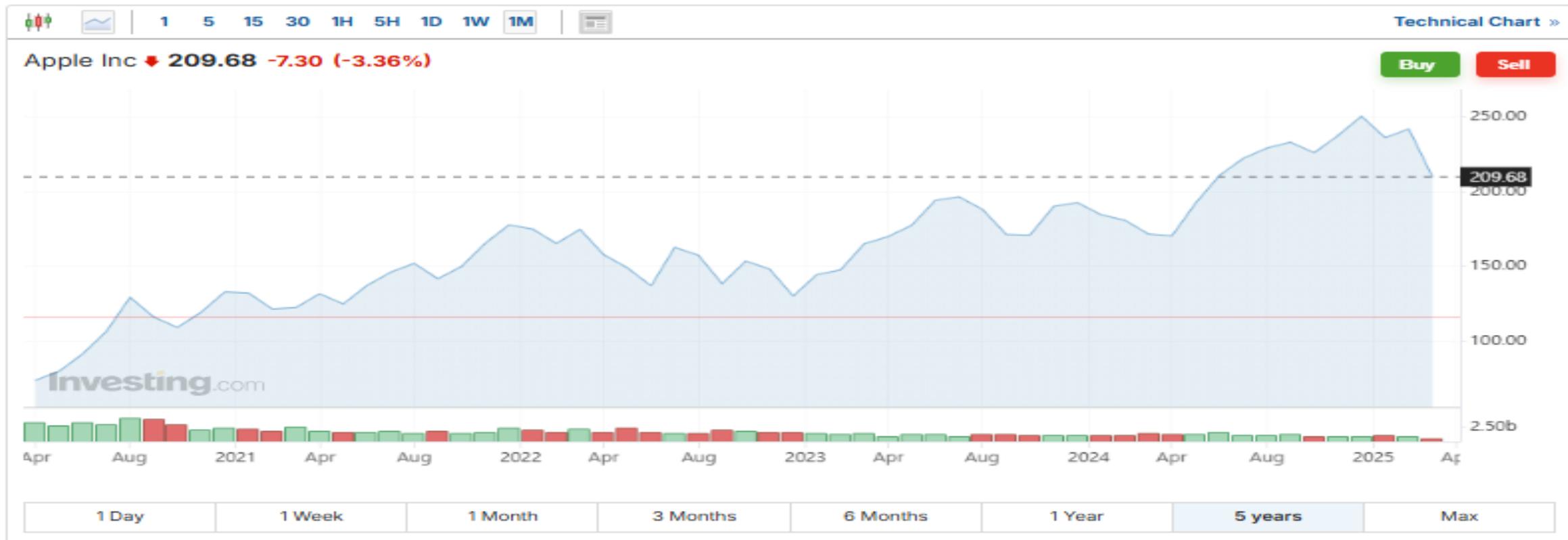
## 209.68 -7.30 (-3.36%) ▾

🕒 Closed · 13/03

🌅 Pre Market ▲ 211.00 +1.32 (+0.63%) 08:34:36

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[Overview](#) [Profile](#) [Ownership](#) [Historical Data](#) [Historical Splits](#) [Options](#) [Index Component](#)



# Tesla Inc (TSLA) ⓘ

🇺🇸 NASDAQ ▾ Currency in USD

📄 TSLA Pro Research

## 240.68 -7.41 (-2.99%) ▼

🕒 Closed · 13/03

🌅 Pre Market ▲ 246.61 +5.93 (+2.46%) 08:35:32

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Fai  
📁  
Da  
**23**  
52  
**131**



# Microsoft Corporation (MSFT) ⓘ

NASDAQ Currency in USD

MSFT Pro Research

## 378.77 -4.50 (-1.17%) ▼

Closed · 13/03

Pre Market ▲ 382.96 +4.19 (+1.11%) 08:37:22

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[Overview](#) [Profile](#) [Ownership](#) [Historical Data](#) [Historical Splits](#) [Options](#) [Index Component](#)



Fai  
Da  
37  
52  
37

**590.64** -28.92 (-4.67%) ▼

🕒 Closed · 13/03

🌅 Pre Market ▲ **603.74** +13.63 (+2.31%) 08:38:02

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📊 📈 | 1 5 15 30 1H 5H 1D 1W 1M 📄

Technical Chart »

Meta Platforms Inc ▼ **590.64** -28.92 (-4.67%)

Buy

Sell



1 Day

1 Week

1 Month

3 Months

6 Months

1 Year

5 years

Max

# Amazon.com Inc (AMZN) ⓘ

🇺🇸 NASDAQ Currency in USD

📄 AMZN Pro Research

## 193.89 -5.00 (-2.51%) ▼

🕒 Closed · 13/03

🌅 Pre Market ▲ 197.28 +3.39 (+1.75%) 08:38:53

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