



Trading Strategy Desk® 4-Week Class

How to Trade

BROKERAGE: CLASSROOM SERIES



Disclosures



ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

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Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

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How to Trade: 4-Week Class



What to expect:

Week 1 - What to trade?

Week 2 - Research and analysis

Week 3 - How to trade

Week 4 - Managing risk and exit strategies

Week 1

What to trade?

Agenda:

- The trading plan
- Understanding and comparing investment types
- Portfolio management
- Style and sectors
- Position sizing

Guiding Principles

Risk Management

- While considering a trade, focus on the overall risk first and profit potential second
- When a trade goes against you, the focus should shift to managing the trade under the current conditions rather than the initial prediction

Trading Discipline

- Take steps to reduce emotional attachment
- Try not to think only in terms of gains/losses
- Trade what you see and not what you think

Have a Plan

Before placing a trade you should be able answer the following:

- Why you are entering this position?
- How much capital are you willing to allocate to any idea?
- What is the criteria for entry (at what price)?
- What is the criteria for exiting (for both the upside and downside)?

Common Investment Types



Stock - Securities that represent units of ownership in a public corporation.

Bond - An interest-bearing promise to pay a specified sum of money (the principal amount) due on a specific date.

Exchange-Traded Fund (ETF) - Represents an interest in a portfolio of securities that often seeks to track an underlying benchmark or index (for example, S&P 500 or Dow Jones Industrial Average), or other asset classes. ETFs are listed on an exchange and can be traded intraday at a price set by the market (which may be different than its Net Asset Value)

Mutual Fund - An investment that pools shareholders money and invests it toward a specified goal. The group's money is invested by a professional investment manager.

Comparing the Types



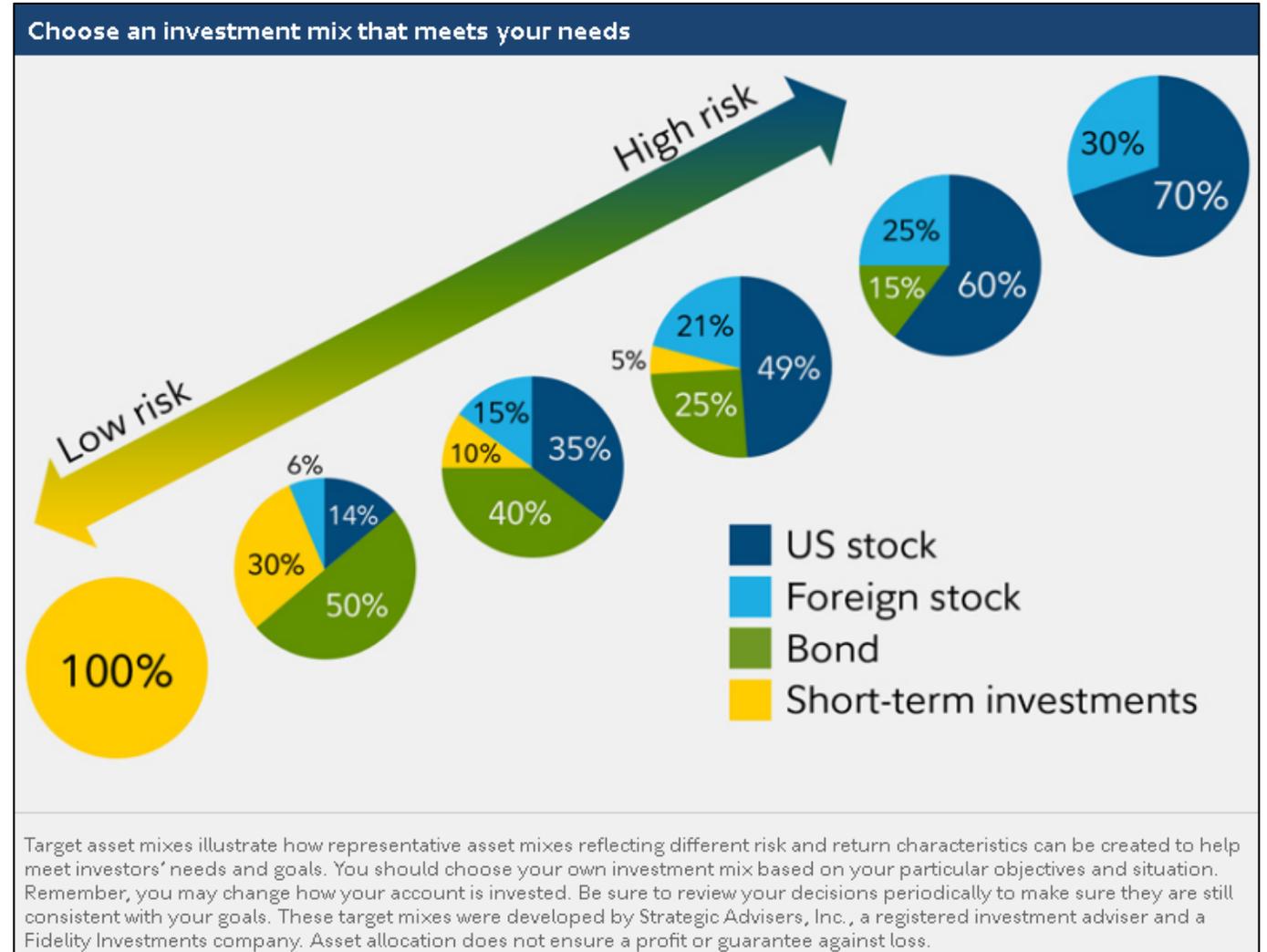
	Mutual Funds	Stocks	ETFs
Tradability	Typically trades once per day at Net Asset Value	Can trade in and out during the day	Can trade in and out during the day
Fees	Fund expenses	Commission	Commission and fund expenses
Tax flexibility	Fund pays out dividends/distributions	Dividends, cap gains/losses when sold	Dividends, cap gains/losses when sold. Fund may pay out distributions
Diversification	Can invest in multiple companies and asset classes across various sectors, geographic regions, etc.	Purchasing ownership of one company	Can invest in multiple companies and asset classes across various sectors, geographic regions, etc.
Trade strategy/time frame	Longer term, often buy and hold	Any time frame, can implement fundamental, technical analysis	Any time frame, can implement fundamental, technical analysis

Portfolio Analysis



The overall allocation of your portfolio will help in defining your overall risk/reward profile

Before placing a trade, consider how it fits into your overall allocation



What is a Sector?

A sector is a grouping of stocks with similar characteristics

Criteria		Screener Results						
Save to My Screens Clear All		Search Criteria		Basic Facts	Performance & Volatility	Valuation, Growth Ownership		
Sector/Industry/Sub-Industry		Take action on selected...		Go				
Definition		Action	Symbol	Company Name	Security Type	Security Price	Sector	Industry
<input type="checkbox"/>	Consumer Discretionary 589	<input type="checkbox"/>	BRK/B	BERKSHIRE HATHAWAY INC	Common Stock	\$207.39 -0.35%	Financials	Diversified Financial Services
<input type="checkbox"/>	Consumer Staples 235	<input type="checkbox"/>	JPM	JPMORGAN CHASE & CO	Common Stock	\$117.39 -0.52%	Financials	Banks
<input type="checkbox"/>	Health Care 1194	<input type="checkbox"/>	BAC	BANK OF AMERICA CORP	Common Stock	\$29.25 0.00%	Financials	Banks
<input checked="" type="checkbox"/>	Financials 929	<input type="checkbox"/>	WFC	WELLS FARGO & CO	Common Stock	\$49.09 -0.35%	Financials	Banks
<input type="checkbox"/>	Information Technology 717	<input type="checkbox"/>	C	CITIGROUP INC	Common Stock	\$69.37 -0.01%	Financials	Banks
<input type="checkbox"/>	Communication Services 300	<input type="checkbox"/>	HSBC	HSBC HOLDINGS PLC	Depository Receipt	\$38.16 +0.47%	Financials	Banks
<input type="checkbox"/>	Utilities 121	<input type="checkbox"/>	RY	ROYAL BANK OF CANADA	Common Stock	\$81.01 0.00%	Financials	Banks
<input type="checkbox"/>	Real Estate 243	<input type="checkbox"/>	HSBC/PA	HSBC HOLDINGS PLC	Depository Receipt	\$26.33 0.00%	Financials	Banks

*Fidelity.com Viewpoints- For Illustrative Purposes Only

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

What is a Sector?

The GICS structure comprises 11 sectors which can be further broken down into multiple industries

Sector	Market Weight 09/06/2019
Information Technology	22.19%
Health Care	13.74%
Financials	12.79%
Communication Services	10.48%
Consumer Discretionary	10.24%
Industrials	9.23%
Consumer Staples	7.54%
Energy	4.45%
Utilities	3.42%
Real Estate	3.25%
Materials	2.67%

GICS : Global Industry Classification

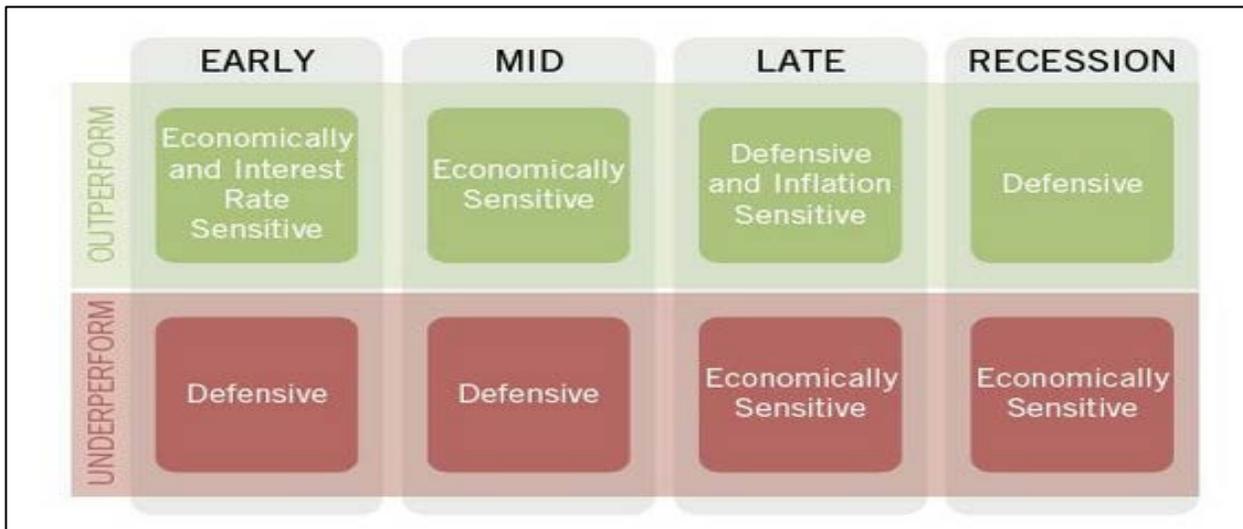


Market Weight is updated weekly from S&P Dow Jones Indices and represents the sum of the market cap of the companies in the applicable S&P 500 GIC sector index as a percentage of the total S&P 500 Index market capitalization.

Business Cycle Analysis



Equity sector relative performance has tended to be differentiated across business cycle phases



Sector ▲	Early	Mid	Late	Recession
Comm	--			++
Consumer Discretionary	++		--	
Consumer Staples	-		+	++
Energy	--		++	
Financials	+			
Health Care	-		++	++
Industrials	++	+		--
Info Technology	++	+	--	--
Materials		--	++	-
Real Estate*	++			--
Utilities	--	-	+	++

++ Consistently Overperform -- Consistently Underperform □ No Clear Pattern
 + Overperform - Underperform

*As of Aug. 31, 2016, real estate was elevated from an industry in the U.S. financials sector to the 11th sector per the Global Industry Classification Standard. Unshaded (white) portions above suggest no clear pattern of over- or underperformance vs. broader U.S. equity market. Double +/- signs indicate that the sector is showing a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate. A single +/- indicates a mixed or less consistent signal. Source: Fidelity Investments (AART).

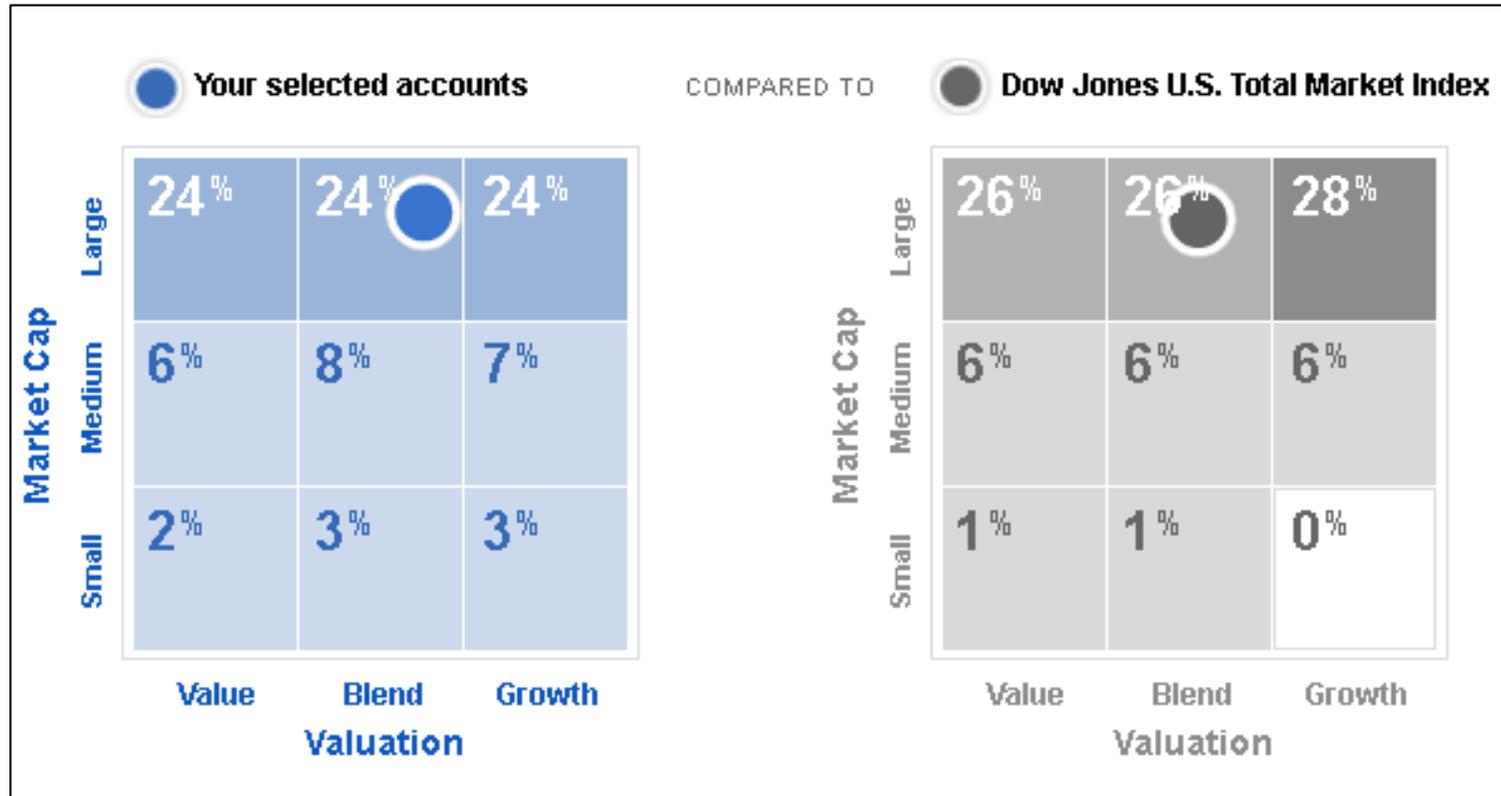
Style and Market Cap



Market capitalization is a measure of the size of a company, it is calculated by multiplying the number of common shares outstanding by the market price per share

Valuation is the financial process of determining what a company is worth.

- Growth: More "expensive"—Their stock prices are high relative to their sales or profits
- Value: Less "expensive"—Their stock prices are low relative to their sales or profits.





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Week 2

Research and Analysis

Agenda:

- Common methods of analysis
- How to find trade ideas
- Analyst opinions and reports

Fundamental Analysis Defined

The study of a company



Measures used may include:

- Quality of management
- Labor relations
- Inventory control
- PE, EPS growth rates, debt
- Return on equity, assets, etc...

Helps you understand if the company is a “good” company:

- Does not help you with the timing of the investment
- Does not help you with the sell decision
- Does not help you quantify risk vs. reward

Assets						All numbers in millions of US Dollars
	2018 (09/30/18)	2017 (09/30/17)	2016 (09/30/16)	2015 (09/30/15)	2014 (09/30/14)	
Current Assets						
Cash and Short-Term Investments – Total	66,301	74,181	67,155	41,601	25,077	
Receivables – Total	48,995	35,673	29,299	30,343	27,219	
Inventories – Total	3,956	4,855	2,132	2,349	2,111	
Current Assets – Other – Total	12,087	13,936	8,283	15,085	14,124	
Current Assets Total	131,339	128,645	106,869	89,378	68,531	
Non-Current Assets						
Property Plant and Equipment – Total (Net)	41,304	33,783	27,010	22,471	20,624	
Intangible Assets – Total	--	8,015	8,620	9,009	8,758	
Non-Current Assets – Other – Total	22,283	10,162	8,757	5,556	3,764	
Non-Current Assets Total	234,386	246,674	214,817	201,101	163,308	
ASSETS TOTAL	365,725	375,319	321,686	290,479	231,839	
Liabilities and Shareholders' Equity						All numbers in millions of US Dollars
	2018 (09/30/18)	2017 (09/30/17)	2016 (09/30/16)	2015 (09/30/15)	2014 (09/30/14)	
Liabilities						
Current Liabilities						
Debt in Current Liabilities	20,748	18,473	11,605	10,999	6,308	
Account Payable/Creditors – Trade	55,888	49,049	37,294	35,490	30,196	
Income Taxes Payable	--	--	--	--	1,209	
Current Liabilities – Other	40,230	33,292	30,107	34,121	25,735	
Current Liabilities Total	116,866	100,814	79,006	80,610	63,448	
Long-Term Liabilities						
Long-Term Debt Total	93,735	97,207	75,427	53,463	28,987	
Deferred Taxes and Investment Tax Credit	426	31,504	26,019	24,062	20,259	
Liabilities (Other)	47,551	11,747	12,985	12,989	7,598	
Long-Term Liabilities Total	141,712	140,458	114,431	90,514	56,844	
Liabilities Total	258,578	241,272	193,437	171,124	120,292	
Minority Interest – Balance Sheet	0	0	0	0	0	
Shareholders' Equity						
Preferred/Preference Stock (Capital) – Total	0	0	0	0	0	
Common/Ordinary Equity – Total	--	--	--	--	--	
Shareholders' Equity Total	107,147	134,047	128,249	119,355	111,547	
LIABILITIES AND SHAREHOLDERS' EQUITY TOTAL	365,725	375,319	321,686	290,479	231,839	

Technical Analysis Defined



The study of past market data

- Stock prices are determined by supply and demand
- Shifts in supply and demand cause reversals in trends
- Trends and reversals in trend can be seen in charts
- Chart patterns tend to repeat themselves



How Does Technical Analysis Differ?

Primarily studies charts of market prices

What is factored into a price?

- All public information and economics
- Accounts for the emotional aspects of the marketplace
- Human behavior – fear, greed, crowds

Quantifies the capital risk in trading and investment decisions

Does not try to predict the future

- Trading decisions are made based upon a reaction to charts and information





What to Trade

Demonstration

Stock and ETF screeners

Filter tools

Stock and ETF research snapshot

Analyst opinions and research

The Fidelity Stock and ETF screener is a research tool provided to help self-directed investors evaluate these types of securities. The criteria and inputs entered are at the sole discretion of the user, and all screens or strategies with preselected criteria (including expert ones) are solely for the convenience of the user. Expert Screeners are provided by independent companies not affiliated with Fidelity. Information supplied or obtained from these Screeners is for informational purposes only and should not be considered investment advice or guidance, an offer of or a solicitation of an offer to buy or sell securities, or a recommendation or endorsement by Fidelity of any security or investment strategy. Fidelity does not endorse or adopt any particular investment strategy or approach to screening or evaluating stocks, preferred securities, exchange-traded products, or closed-end funds. Fidelity makes no guarantees that information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use. Determine which securities are right for you based on your investment objectives, risk tolerance, financial situation, and other individual factors, and reevaluate them on a periodic basis.



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Week 3

How to Trade

Agenda:

- Understanding your available balances
- Trading on margin
- Placing a trade
- Finding your order status

Margin

Understanding Trading on Margin

A margin loan allows you to borrow against the value of securities you already own.

You can have purchasing power to buy more securities, make a large purchase, or use as a bridge loan for short-term liquidity needs.

Before using margin however, you must be aware of these risks:

- Amplified losses if the securities in your account decline in value
- Margin calls or liquidation of securities
- Losses greater than the original investment are possible
- Interest rates may rise, increasing the cost of your loan

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. If the market value of the securities in your margin account declines, you may be required to deposit more money or securities in order to maintain your line of credit. If you are unable to do so, Fidelity may be required to sell all or a portion of your pledged assets. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

Pricing Defined



Bid - The highest price a prospective buyer is willing to pay for a unit of a security.

Ask - The lowest price a dealer or market maker will accept for a security.

Last - The last traded price

Net Asset Value (NAV) - The dollar value of one share of the security determined by taking the total assets of the security subtracting the total liabilities, and dividing by the total number of shares outstanding.

Equity Pricing



Stock quotes - Bought at ask price and sold at bid price. Last price is also shown

Mutual Funds - Price shown will be the prior days NAV, when you buy or sell a fund you get the next available NAV which will be unknown at the time of trade

ETFs (Exchange-Traded Funds) - Bought at ask price and sold at bid price. ETFs have a NAV that is used to calculate the underlying value, however this is not the price you would trade it at.

Order Types

Market Order

- A market order is an instruction to buy or sell at the next available price
- The order is only valid for the trading day (9:30 a.m.-4:00 p.m. ET)
- For liquid securities, executions are generally prompt

Limit Order

- A limit order is used to specify a price you are willing to trade at or better
- The order can be valid for only today, or up to 180 calendar days (GTC)
- Limit orders can be filled completely or in part
- Execution is not guaranteed



How to trade

Demonstration

Understanding your balances

Margin Calculator

Finding quotes

Trade ticket

Orders page



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Week 4

Managing Risk and Exit Strategies

Agenda:

- Managing risk
- Planning your exit strategy
- Monitoring your positions

Risk Management



Things to consider:

- Reduce overall portfolio volatility by diversifying amongst market capitalization, sectors, geography, and style
- Utilize proper position size
- Define your exit strategy at the time of entering the trade (for example: percentage price drop or technical level)
- Be consistent in your process for analyzing your entry and exit points

Position Sizing



Things to consider:

- Carefully consider how much capital you are willing to allocate into any trade
- Reduce concentration in individual positions and sectors
- Keep it small in proportion to your portfolio
- Go into a trade knowing how much you can and are willing to lose
- If you can't sleep at night your position may be too large!
- Minimize emotional decisions through risk and position size management

Stop Orders

Stop Loss

- Generally used to help protect profits or prevent further losses
- Becomes a **market order** when the stop price is reached
- Ensures execution but not price

Stop Limit

- Generally used to help protect profits or prevent further losses
- Becomes a **limit order** when the stop price is reached
- Ensure price but not execution

Stop loss orders do not guarantee the execution price you will receive and have additional risks that may be compounded in periods of market volatility. Stop loss orders could be triggered by price swings and could result in an execution well below your trigger price.

Trailing Stop Loss / Trailing Stop Limit

Automatically adjust when the price moves in your favor

Either percentage or price amount can be used



1. You buy XYZ stock at \$25 per share.
2. XYZ rises to \$27.
3. You place a sell trailing stop loss with a trail value of \$1.
4. As long as the price moves in your favor, your trailing price will stay \$1 away.
5. The price of XYZ peaks at \$29, then starts to drop. Your trailing stop loss remains at \$28.
6. Shares are sold when XYZ reaches \$28.

*Fidelity.com Viewpoints– For Illustrative Purposes Only

Trailing stop orders may have increased risks due to their reliance on trigger pricing, which may be compounded in periods of market volatility, as well as market data and other internal and external system factors. Trailing stop orders are held on a separate, internal order file, place on a "not held" basis and only monitored between 9:30 AM and 4:00 PM Eastern.

Technical Analysis for Exits



Support and Resistance

- You can use support and resistance areas to tell you if the trade is still valid
- A stop could be placed under a support area or above a resistance area
- Once the level is broken, the trade is invalidated and managing risk should be the priority



Managing Risk and Exit Strategies

Demonstration



Fidelity Guided Portfolio Summary (GPS)[®]

Positions page

Trade Armor[®]

Key Takeaways



Things to consider:

- Have a method for choosing which investments to trade
- Decide how much capital you are willing to invest into any one trade
- Consider how that trade will impact your overall allocation
- Have a specific criteria for when to enter as well as when to exit (to both the up and downside)



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