Fidelity®

MONEY GAINS MAKING IT COUNT

Video 8

What affects returns for specific stocks

Bear market

A bear market is a market that is on the decline, and one in which company share prices decline in value.

Bull market

A bull market is a market that is on the rise, and one in which the conditions of the economy generally appear favourable. During these times, company share prices generally increase.

Business cycle

A business cycle is a set of fluctuations in an economy over a period of time, described as series of phases: the early cycle, when economic activity recovers, the mid-cycle, when economic growth peaks, the late cycle, when economic growth slows, and recession, when economic growth is negative.

Company earnings

A company's earnings, also known as its profits, are a key factor in determining a company's stock price and the potential returns that a company generates for its investors. As a result, investors pay close attention to a company's current and past earnings.

Company news

Stock prices (and therefore stock returns) can easily be affected by company news, because it can have an impact on future company profits.

Investor sentiment

"Investor sentiment" refers to how investors feel about a stock, an industry or the entire financial market.

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What affects returns for specific stocks (continued)

Multiple

Multiples are measures of a company's valuation and financial performance. A multiple is determined by dividing one metric by another. An example is the P/E ratio, in which the share price is measured relative to the earnings per share.

Price-to-earnings (P/E) ratios

P/E ratios are also often referred to as multiples, because the P/E ratio represents the number of times a company's earnings would have to be multiplied to arrive at that company's stock price.

Sideways market

A sideways market is a market that does not exhibit a strong trend up or down. Price ranges tend to be tight.

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