Would You Buy This Stock Now?

*Read the information provided on each stock and **type** your responses (**50** words each) to these questions:*

1. *Would you buy share of this company at this time? Why or why not?*
2. *What information was most important to you as you made your decision?*

Stock 1

The company is called Travel With Us. Profit figures are up for the tenth quarter in a row. The profit increase for the current quarter was 3 percent. The average profit increase for the previous nine quarters was 12 percent. The current P/E ratio for the company is 21. This is the highest ratio to date in the company's history. The company has been in business since 1902. Current revenue is higher than at any point in its history. The company is in a fiercely competitive market, renting cars, mopeds, and bicycles to tourists vacationing in the United States and Canada.

The economy has been growing for five straight years. In the last quarter the Real GDP increased by 1 percent, the lowest percentage increase in the last five years. The unemployment rate has recently increased from 3 percent to 3.4 percent. Inflation is 4 percent and rising. The Federal Reserve Bank recently announced an increase in the discount rate of 1 percent, raising it from 2.5 percent to 3.5 percent. (The discount rate is the rate of interest that the Federal Reserve charges other banks when it lends them money.) Industry sources report that tourist travel is at an all-time high.

Stock 2

The company is Suppliers General, Inc. It provides spare parts for all machines used in the manufacturing of automobiles, airplanes, motorcycles, and farm equipment. It has been in business for 50 years. Last year was its worst year. It reported zero profit for the entire year. Sales fell 50 percent from their high point three years ago, but showed a slight increase for the last quarter. Its workforce has been cut in half, from 250,000 workers to 125,000 workers, during the last two years. It is operating at 40 percent capacity. Its customer firms all reported small increases of sales during the last six months. Its chief competitor has gone out of business. However, its stock price is at a record low. The company is selling at a price equivalent to one-half its shareholders' equity.

The economy has been in a recession for 18 months. Real GDP rose 1 percent in the last quarter. Inflation is steady at 1 percent. The Federal Reserve Board reduced the discount rate and the federal funds rate for the sixth time in 12 months. The discount rate now stands at 1.25 percent. Economists are predicting that the U.S. economy and the world economy will grow at 3 percent during the next year, with cyclical industries experiencing greater growth than the economy as a whole.

Stock 3

The company is Coldbgone. For eight years this biotech firm has lost money. It has never earned a profit. Stock prices have fallen from $25 per share to $2 per share as shareholders attempted to rid themselves of this badly performing stock. Your best friend is a lab technician for Coldbgone who tells you that the company has announced a new drug that cures the common cold. The drug will be on sale shortly. Coldbgone will have the patent rights to sell this drug as a monopolist for eight years. After eight years, other companies may also sell the same drug.

The economy has just stopped growing. Last quarter, for the first time in five years, the real GDP declined. Nationwide, companies are reporting lower sales and profits, while forming plans to lay off workers. The Federal Reserve Board has increased the federal funds rate and the discount rate for the third month in a row. Inflation is averaging 10 percent for the current year. Your best friend is buying 5000 shares of the company tomorrow. He would buy more but he does not have any more spare cash.