

How to Analyze a Company's Stocks

FINANCIAL METRICS

- **Price-to-Earnings (P/E) ratio**, how much investors are paying for a dollar of earnings.
- **Return on Equity (ROE)** how well a company is using investors' money to generate profit,
- **Earnings Per Share (EPS)** how much money a company makes for each share of its stock.

4 STOCK INVESTING RULES

- **7% rule** – sell out if the price drops 7% or more from your buy price
- **20/20/20 rule** - only invest in stocks:
 - At least 20% earnings growth
 - At least 20% price increase in the past year,
 - P/E ratio no more than 20.
- **10 am rule** – wait until after the first hour of trading
- **90% rule** - know the daily time window of important price action.