Stock Market & Investing Fundamentals

Understand ownership, markets, funds, risk, and long-term investing concepts.

CLARAFIS | BEGINNER COURSE

Learn how markets work, how diversification helps, and how to evaluate risk.

Before you start
No specialist background is required beyond the stated level. Work through one module at a time, write down your assumptions, and try each exercise before reading its explanation.

Course map: Market basics; risk and return; funds and diversification; reading an investment; building a process; behavior and responsible practice.

How to learn from this course

Read in order and connect each idea to a realistic example. Keep a small notebook of definitions, calculations, and questions. When numbers appear, show the steps and label assumptions. The examples use simplified fictional situations so you can focus on the method.

What you will be able to do

Learn how markets work, how diversification helps, and how to evaluate risk.

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Important
This course provides general education. It is not individualized financial, tax, legal, accounting, or investment advice. Laws, products, standards, and protections differ by jurisdiction and can change. Verify current details with qualified local sources.

1. What a stock market does

MODULE 1

Key idea

A share represents a unit of ownership in a company, subject to the share class and governing rules. Markets bring buyers and sellers together. Exchanges set trading rules, while brokers provide access. A quoted price reflects current orders and expectations; it is not a guarantee of underlying value.

Worked example
If an investor owns 5 shares at 100 each, the quoted market value is 500 before fees and taxes. A price change changes that market value, even if no shares are sold.

Try it yourself

In your own words, distinguish a company, an exchange, and a broker. Find the official description of one exchange in your country.

Key terms

Review the glossary at the end and add any new terms you encounter.

2. Risk, return, and time

MODULE 2

Key idea

Return is the gain or loss over a period, including any income received when measured appropriately. Risk describes uncertainty and the possibility of loss. Prices can fall sharply, and past performance does not predict future results. Time horizon and ability to withstand losses matter when studying an investment.

Worked example
A price moves from 100 to 90: the price return is (90-100)/100 = -10%, before dividends, fees, or taxes. A later 10% rise from 90 reaches 99, not 100.

Try it yourself

Explain why a 10% loss requires a gain greater than 10% of the reduced value to recover.

Key terms

Review the glossary at the end and add any new terms you encounter.

3. Funds and diversification

MODULE 3

Key idea

A fund pools money and follows a stated strategy. An index fund aims to track an index; an actively managed fund chooses holdings under its mandate. Diversification spreads exposure across holdings, sectors, or regions, but cannot eliminate market risk. Read the fund’s objective, holdings, fees, currency, and risks.

Worked example
A portfolio with 20 holdings in one industry may be less diversified than one with fewer holdings across unrelated industries. The number of holdings alone does not settle the question.

Try it yourself

Compare two fictional funds by objective, fee, top holdings, and risk disclosures. Note where their exposures overlap.

Key terms

Review the glossary at the end and add any new terms you encounter.

4. Evaluate an investment before acting

MODULE 4

Key idea

Start with the question: what does this asset represent, how might it generate value, and what could go wrong? For a company, study its business model, competition, finances, leadership, and disclosures. For a fund, study its mandate and holdings. Avoid treating social posts or a single ratio as complete analysis.

Worked example
A low price-to-earnings ratio can reflect low expectations, temporary earnings, accounting effects, or distress. It is a prompt for investigation, not a stand-alone buy signal.

Try it yourself

Write down three facts you would verify from primary documents before forming an opinion about a company.

Key terms

Review the glossary at the end and add any new terms you encounter.

5. Orders, costs, and a repeatable process

MODULE 5

Key idea

Market orders prioritize execution but the final price can differ from the quote. Limit orders set a price boundary but may not execute. Fees, bid-ask spreads, taxes, currency conversion, and fund expenses can reduce returns. Learn the rules of the platform and local market before placing any transaction.

Worked example
If an asset is quoted 49.90 bid and 50.10 ask, the 0.20 spread is an implicit trading cost for an immediate round trip, before other charges.

Try it yourself

Create a research checklist and a cooling-off rule for decisions prompted by headlines, fear, or excitement.

Key terms

Review the glossary at the end and add any new terms you encounter.

6. Behavior, ethics, and long horizons

MODULE 6

Key idea

Common behavior traps include chasing recent winners, panic selling, overconfidence, and confusing a story with evidence. A written process can help keep decisions consistent. Investing involves the risk of losing some or all of the money invested. Leverage and concentrated positions can magnify losses.

Worked example
A diversified hypothetical portfolio can still fall when broad markets decline. Diversification addresses concentration risk; it does not promise a profit or protect fully from loss.

Try it yourself

Use a paper portfolio to record a thesis, evidence, risks, and what would change your view. Do not use borrowed money for the exercise.

Key terms

Review the glossary at the end and add any new terms you encounter.

Practice case

Try the problem before reading the explanation below. Show each step and state any assumptions you make.

Case
A fictional share is bought at 80 and later sold at 88. It also paid a dividend of 2 per share. Ignore fees and taxes. Calculate the simple total return, then name two reasons the number is not enough to judge whether it was a suitable investment.

Worked answer

Gain = 88 - 80 = 8. Add the dividend of 2 for total gain of 10. Simple total return = 10/80 = 12.5%. This past result says nothing certain about future returns, risk taken, inflation, taxes, fees, the investor’s time horizon, or whether the holding was appropriate. The calculation is educational, not a recommendation.

Reflection
Which assumption matters most? What additional information would you want before applying this method to a real situation?

Glossary and next steps

Share a unit of company ownership.

Exchange a regulated marketplace with trading rules.

Index a defined basket or measure of market performance.

Diversification spreading exposure to reduce dependence on one holding.

Dividend distribution a company may make to shareholders.

Bid-ask spread difference between highest bid and lowest ask.

Volatility degree of price variation over time.

Keep learning

Review the worked examples, then repeat the exercises using new fictional numbers. For real decisions, consult current primary documents and reliable local authorities. Keep a record of where information came from and when you checked it.

Financial education notice
No product, security, account, loan, or course example is a recommendation. This material does not consider an individual's circumstances, objectives, or risk tolerance.

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