Slides 02.18: Buying Low, Rebalancing, and Return Math

Lesson 2.18, one day. Slides 1 to 12. Set the market to window 33 before class. Swap the example prices for the class's real peak and bottom where marked.

Slide 1: Do now

- Sparkstone was AQ57.80 before the crisis and AQ31.20 at the bottom. *[Sal: use your class's real numbers.]*
- Someone bought 100 units at the bottom. If the price goes back to 57.80, how much does that person make?
- Harder: what percent of their money did they make? Notes: 3 minutes. 26.60 a unit, 2,660 on 100 units. Percent: 2,660 divided by 3,120, about 85 percent.

Slide 2: That is what buying low means

- It is also what everyone who sold at the bottom handed to the person who bought from them.
- Today: the one formula that tells you who won. Image: two figures passing a coin; the one handing it over looks scared, the one receiving it looks calm.

Slide 3: Recovery

- After a crash, ventures that are still real businesses drift back up.
- Not all at once. Not all of them.
- Nobody knows the bottom until it is behind them. Image: a line graph with a V and a question mark at the bottom of the V.

Slide 4: Buying low

- Buying a venture after it fell, because you believe it will recover.
- The risk: some do not.
- The three tests still apply. A cheap price is not a reason. A dispatch with a number is. Image: a price tag with a line through the old price and a new lower price.

Slide 5: Rebalancing after a crash

- Your pie changed shape without you doing anything: the risky slices shrank.
- Rebalancing: buy a little of what fell, sell a little of what held, to get back to the pie you chose on Day 5.
- Housekeeping, not heroics. Image: a pie with two shrunken slices, an arrow, and the same pie restored. Notes: Students copy the three definitions to the journal notes box. 5 minutes for slides 3 to 5.

Slide 6: The formula

- Percent return = (ending minus starting) divided by starting, times 100.
- The bottom of the fraction is always the starting value.

- A loss gets a minus sign. Image: the fraction drawn large: “ending minus starting” over “starting,” with “x 100” beside it and STARTING in bold.

Slide 7: Worked example

- Started with 25,000. Now 23,000.
- 23,000 minus 25,000 = minus 2,000.
- Minus 2,000 divided by 25,000 = minus 0.08.
- Times 100: minus 8 percent. Notes: Say “divided by the starting value” three times today.

Slide 8: Return Math, Parts A, B, C

- Part A: four practice problems, alone.
- Part B: my own return, from my screen, alone. And the venture that hurt me most across the crisis.
- Part C: a safe portfolio, a risky one, and a mixed one over the same eight days, in pairs.
- 12 minutes. Notes: The common error is dividing by the ending value. Watch for it at the desk.

Slide 9: Debrief Part C

- Safe: plus 0.2, plus 0.3, plus 0.4 percent. Never dropped.
- Risky: plus 18.6, minus 34.6, minus 23.2 percent.
- Mixed: plus 7.6, minus 12.7, minus 8.2 percent.
- Which would you want for college in ten years? For rent next month? Image: three lines on one graph across peak, bottom, today: flat, a deep V, a shallow V.

Slide 10: Trading window: rebalance

- Windows 33 to 40 open now. The dispatches turn positive.
- If your pie changed shape in the crisis, this is the window to fix it.
- If you are buying low, write which venture and what you expect on Entry 8 first. Notes: 10 minutes. One click every 75 seconds.

Slide 11: Entry 8

- What I did (rebalance, buy low, or hold). Why. What happened.
- My percent return so far is ___ (from Part B).
- The venture that hurt me most fell ___ percent across the crisis.
- My total fortune at the bell. Notes: 6 minutes.

Slide 12: Closure

- Exit card: the percent return formula in words. My return today is ___ percent. The safe portfolio’s return today is ___ percent. One sentence: which is better, and better for what?
- Three merchants read the last sentence.

- Tomorrow: the closing bell. And the truth about the Golden Land. Notes: 4 minutes. Freeze the market at window 40 at the bell. Do not advance before tomorrow.