

Investopedia Guide

Simulator How-To Guide: Introduction

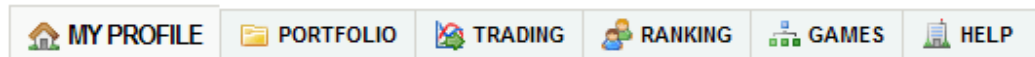
Investing in the stock market can be an intimidating and complex task for many new investors. Investing brings a considerable amount of rewards, as well as risks. So, before putting your hard-earned savings on the line, why not practice with a virtual account?

Our Simulator uses real data from the stock markets in order to reproduce the experience of using a real online brokerage account. Users are provided with a virtual cash balance and can place virtual trades using real market data. The simulator is used for a variety of reasons: educators use it as a tool to introduce students to the stock market, some employ it to test new investing strategies, and others use it to experience what it “feels like” to place a trade. Regardless of your current level of financial knowledge, the Simulator can help make you a better investor.

In addition to the educational aspect, we think the Simulator is pretty fun as well!

Simulator How-To Guide: The User Interface Tabs

Let's first examine the six tabs located at the top of the simulator's user interface. By accessing each of the different tabs, you will have the ability to navigate through different areas of the simulator. Note: upon clicking the desired tab, additional links will appear in the space below the tabs.



1. **My Profile** provides a quick look at your Investopedia account as well as a location for you to change your profile settings.
2. **Portfolio** provides a summary of your current portfolio holdings, your stock watch list and your trading history.
3. **Trading** contains the part of the simulator that you'll need to input your trade orders and review any outstanding open and failed trades.
4. **Ranking** shows your current placing for any specific competition.
5. **Games** allows you to create, manage and review the games you're participating in and also join existing games. By default, users are invited to join an Investopedia Competition. We recommend you complete this how-to guide within the Investopedia Game (no end) competition.
6. **Help** contains information devoted towards helping you with how to use the simulator,

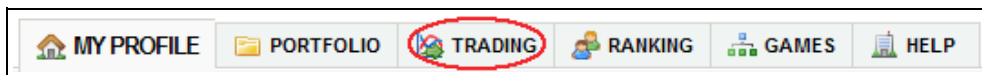
as well as tools for researching and selecting the companies you want to trade, such as, a research section, a ticker symbol lookup tool and much more.

Don't worry if you don't understand all of the tools at your disposal. Our how-to guide will explain the details of each component as you go.

Simulator How-To Guide: Purchasing Stocks

Now that you're familiar with your trading account interface, let's go ahead and execute your first stock purchase. We will buy 100 shares of a well-known American corporation, **Wal-Mart Stores Inc** (NYSE: [WMT](#)), using the following steps.

After logging into your Simulator account, click on the Trading tab near the top of the screen.



In the Trade Stock screen, type in 'WMT' in the Symbol field and '100' in the Quantity field, leaving all other fields at their default settings, as shown here:

Trade Stock

Stock Order Form

Stock Symbol	<input type="text" value="WMT"/>	Symbol Lookup
Transaction	<input type="text" value="Buy"/>	
Quantity	<input type="text" value="100"/>	
Price	<input checked="" type="radio"/> Market <input type="radio"/> Limit \$ <input type="text"/> <input type="radio"/> Stop \$ <input type="text"/>	
Duration	<input type="text" value="Good Till Cancelled"/>	
<input type="checkbox"/> Send Confirmation Email		
<input type="button" value="Preview Order"/>		

Ignore all the other settings and click *Preview Order* to proceed to the order confirmation screen:

Preview Order			
Description	Transaction	Stop/Limit	Duration (Term)
WMT	Buy MO	n/a	n/a
At a price of \$51.28 per share, the value of this transaction is estimated at \$5,128.00, plus commission of \$19.99 for a total of \$5,147.99			Price \$51.28
			Quantity 100
			Commission \$19.99
			Est Total Order* \$5,147.99
<input type="button" value="Cancel Order"/> <input type="button" value=" << Change Order"/> <input type="button" value=" Submit Order >>"/>			

WAL-MART STORES INC (NYSE) WMT	
Last	51.2800
Change	1.81
% Change	3.56
Volume	45,402,785
Day's High	51.2900
Day's Low	50.1500
Ask Price	0
Bid Price	0

(*Note that the stock price and all associated numbers may be different than those below since they're always changing due to the inherent volatility of the stock market.)

Take a minute to review the details of your order. As you can see, you are buying 100 shares of WMT at its market price. Your transaction type is *Buy Market Order (Buy MO)*, which means you want to *buy* shares of WMT at the current *market price*. In order to simulate a real online trade, you'll be charged a commission of \$19.99 per trade. Brokerage firms commonly charge commissions for the service of executing trades.

Click on *Submit Order* to confirm your purchase of 100 WMT shares. Your order is now confirmed and will be filled at the first available opportunity. Please note that if you have made your order outside normal market hours (9:30 am – 4:00 pm Eastern Standard Time), your order will be filled at the start of the next trading day. If you place the order during regular business hours, you'll see WMT in your portfolio within 20 minutes. To learn more about why there is a 20 minute delay, [click here](#).

Entering your Takes

After submitting your order, you'll see a screen that presents you with an opportunity to explain why you made your trade.

Why Did You Make This Trade?

This market order has been placed successfully. It will appear in your portfolio in around **20** minutes.

The reason you can't see this order immediately is because we use a delayed data feed. Holding orders for this amount of time lets us ensure your order gets filled at the most accurate current price. Take a moment to also enter in a quick comment as to why you made this trade below. ([more info](#))

What's Your Time Horizon? Under a Week ▾

What's Your Call? Bullish ▾

What's Your Take?

So you've made a trade in the Simulator, but why did you do it? You be the analyst and give us your commentary on your latest pick.

Allow Others To View This Comment

Submit Comment

Skip >>

The “**What’s your time horizon**” allows you to describe the length of time that you plan to hold the position.

The “**What’s your call**” section is used to describe your outlook for the stock: either bullish (optimistic) or bearish (pessimistic).

The “**What’s your take**” section gives you the chance to put your thoughts into words.

Afterwards, you can either check the "allow others to view this comment" box to allow other users in the Investopedia Community to view your take. Hitting "Submit" will post your comments or you can hit the *Skip* button and proceed back to your portfolio summary.

Now that you’ve purchased your first stock, let’s review the details of your holdings in the next section.

Simulator How-To Guide: The Portfolio Summary Page

If you followed the directions from the previous section, your portfolio should now contain 100 shares of WMT and a large cash balance. We will now take this opportunity to explain what each aspect of the portfolio summary means.

Note: If you completed it outside of market hours (9:30 am – 4:00 am EST) or on a day

in which the real stock markets are not open (such as on the weekend or a major holiday), your Portfolio Summary may not include your WMT purchase at this time. If that is the case, please refer to the sample Portfolio Summary below. Your WMT purchase will appear in your portfolio at the beginning of the next trading day.

Account Value (USD):		\$99,981.00	Buying Power:		\$97,573.51	Cash:		\$95,166.01	Annual Return:		0.00%
Stock Portfolio											
										Trade Stock Symbol Lookup	
<input type="checkbox"/>	Sell	WMT	WAL-MART STORES INC	Qty	Purchase Price	Current Price	Total Value	% Chg	Gain/Loss		
				100	\$50.75	\$48.15	\$4,815.00	-5.12%	-\$260.00		
							Total:	\$4,815.00	-5.12%	(\$260.00)	
Option Portfolio											
You currently have no options in your portfolio											
Shorted Stock Portfolio											
You currently have no shorts in your portfolio											

Let's start with the main sections at the top of your Portfolio Summary:

Account Value (USD):		\$99,981.00	Buying Power:		\$97,573.51	Cash:		\$95,166.01	Annual Return:		0.00%
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Account Value displays the total current value of your portfolio, which is updated nightly after the market's close. It also shows in the brackets which currency (either US or Canadian dollars) the account is denominated in.

Buying Power refers to your ability to make trades and is based on the value of your portfolio and cash position. You cannot make a trade that exceeds your current buying power.

Cash displays the amount of cash you presently have in your account. (*Note that your buying power is a better representation as to how much you can spend on further investments, since the default Investopedia Competition (no end) allows you to trade on margin, which will be explained later on)

Annual Return refers to the percentage of return that you would have earned if your returns were extrapolated for a year.

Next, notice that your Portfolio Summary is divided into three parts: Stock Portfolio, Option Portfolio and Shorted Stock Portfolio. Don't worry about the latter two for now, we'll discuss them in later sections of this guide.

The **Stock Portfolio** contains the names of all the stocks you have purchased and currently hold. Each position includes the stock's ticker symbol, description (name of the company) and the quantity of shares in each position, which are fairly easy to understand. Furthermore, there are the following subheadings within each position of stock:

Symbol	Description	Qty	Purchase Price	Current Price	Total Value	% Chg	Gain/Loss
--------	-------------	-----	----------------	---------------	-------------	-------	-----------

Current Price displays the original cost per share of your purchase.

Market Value displays the current market value per share. This value will change as time goes on.

Total Value reports the current total dollar value of your holdings. In this case, you bought 100 shares of WMT; therefore the Total Value will be equal to 100 times its Market Value per share.

Gain/Loss gives the dollar amount of your gains or losses for each position, while **% Chg** reports the gain or loss as a percentage of your original cost.

Now that you have learned how to interpret your Portfolio Summary, let's look at how to find other stocks to buy in the next section of this how-to guide.

Simulator How-To Guide: Ticker Symbol Look Up

As you noticed while you were buying shares of Wal-Mart, all brokerages (simulated or not) require you to input the company's stock symbol to place any trade. In fact, all stock exchanges employ stock ticker symbols.

Why Symbols?

When a company is first listed on a stock exchange, the company is assigned a unique stock symbol. No other company listed on that exchange can ever use that ticker symbol, and thus all participants in the stock market have a universal, foolproof way to correctly identify companies on an exchange. The ticker symbols are chosen by the companies themselves and can be as few as one letter or as many as five. For example, Ford Motors is simply 'F'. Sometimes the ticker resembles the company name (Microsoft uses 'MSFT'), while others are used somewhat as a marketing ploy (Anheuser-Busch Companies Inc, the makers of Budweiser Beer, trades under 'BUD'). Another reason for the use of standardized stock symbols is that it minimizes trading mix-ups. One company's name may be quite similar to another's - in spelling, in sound or in an abbreviated format.

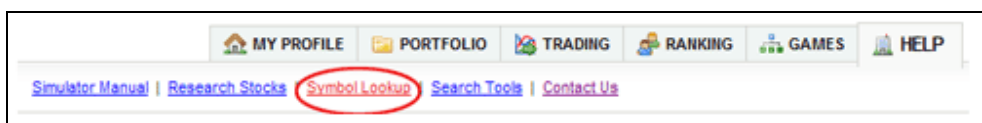
Note: Newspapers and other publications often put a company's abbreviation in brackets after the company's first reference in a story. For example, a newspaper may denote Hewlett-Packard Incorporated as HP. This is NOT necessarily the ticker symbol, but rather a shortened standard name for the firm in question. To avoid incorrect stock selection, we recommend that you always look up a company's ticker symbol. It's also much easier to enter shorter symbols. Imagine having to type in "Hewlett-Packard Incorporated" instead of 'HPQ'.

Using the Symbol Look Up

To buy shares of a company you're interested in, you must know its ticker symbol. Never guess a ticker symbol - you could end up buying shares of the wrong company. Fortunately, all major brokerages offer symbol lookup tools with their accounts. Let's find some ticker symbols using the Simulator's Symbol Lookup tool.

Let's research the ticker symbols for two stocks previously bought by legendary investors, Warren Buffett and Richard Aster Jr. : **Tellabs** and **Pier 1 Imports**.

First: Click on Symbol Lookup, which can be found by clicking on the Help Tab, in order to proceed to the symbol lookup screen.



Alternatively, you can just go to: <http://community.investopedia.com/SymLookup.aspx>

Now, type "Tellabs" into the search field and click on Lookup Symbol.

The image shows a search form with the label 'Company Name:' followed by a text input field containing 'tellabs' and a 'Lookup Symbol' button.

You should see a search result similar to those shown here:

1 results for 'tellabs'			
Click the symbol for a detailed quote.			
Symbol	Name	Trade Stock	Trade Option
TLAB	TELLABS INC	Trade	Option Chain

As you can see, Tellabs Inc trades under the ticker symbol 'TLAB'. We want to buy TLAB, so click on Trade under the Trade Stock heading to proceed to the order input screen. Enter and confirm a market buy order for 100 shares of TLAB.

You should end up at the Portfolio Summary screen. Now go back to the Symbol Lookup screen and search for 'Pier 1'. You should see the following results:

1 results for 'pier 1'			
Click the symbol for a detailed quote.			
Symbol	Name	Trade Stock	Trade Option
PIR	PIER 1 IMPORTS INC	Trade	Option Chain

Click on Trade to proceed to the order input screen or go through the trade stock procedure and confirm a market buy order for 100 shares of PIR.

Now that you've learned about stock symbols and how to find them, let's look at how to determine which stocks you want to buy based on your analysis of financial information.

Simulator How-To Guide: Stock Quote Information

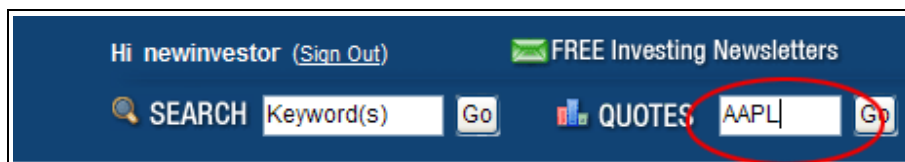
Now that you've learned about stock symbols and how to find them, let's look at how to determine which stocks you want to buy based on your analysis of financial information.

There are endless ways to analyze stock market information; countless valuation theories and trading systems have been created to attempt systematic profit generation from the stock market. Alas, there is no crystal ball, no hard-and-fast rule you can follow to guarantee success 100% of the time. However, the goal of every investor should be to make logical investment decisions they can be comfortable with.

A key component in any investor's decision-making process should be a keen analysis of available financial information - from the business and markets sections of newspapers to websites to financial news providers. Most online brokerages offer detailed quotes and research material to their clients, and the Investopedia Simulator is no exception.

Let's work through a basic analysis of a detailed stock quote for well-known technology company **Apple Computer Inc** (Nasdaq: [AAPL](#)).

To analyze the current condition of Apple shares, type in 'AAPL' in the "Quotes" field, which is located on the top part of the page, and then click on "Go".



You should now see AAPL's stock quote page:



On the main quote page, you can see what the overall sentiment that the users from the Investopedia Community have regarding the stock and the 6 month chart of stock's performance.

Let's briefly touch on key pieces of information available in the heading section of the page.



User Takes allows you to see all the opinions that your fellow users have entered regarding why they bought or sold the stock and whether they're bullish (optimistic) or bearish (pessimistic) about the stock in general.

Charts show a graphical summary of the stock's past performance and trade volumes over different time spans.

Option Chain shows all the option contracts that a specific stock possesses (more about options will be explained in a later section)

News contains all the applicable links to all the news stories and commentary that involve or mention the company that you are looking at.

Historical is where users can look up a stock's past trading volume, opening, high, low and closing price information.

Executives will direct users to a page on Forbes that will disclose who the company's major executives are, their age and the cash compensation they are receiving.

Earnings will direct users to a section of Forbes that reveals information regarding the company's valuation and earnings information.

Ratios disclose important financial metrics (such as the company's profit margin, current ratio and return of assets, among others).

Income Statement, Balance Sheet and **Cash Flow** will allow users to access each component of the company's financial statements, respectively.

Now that you have a handle on the resources that you have available to research a company, you're probably asking yourself, "Great, now how does this information tell me what stock will be the next winner?" Unfortunately, a quick look at a few numbers will never tell you the entire story, but what it can do is provide a great starting point. We can't possibly fit every common analysis technique into this short lesson, but we encourage you to read through our educational content.

A few of our favorites are:

[Stock Basics Tutorial](#) - an excellent rundown of equity finance principles.

[Investing 101](#) - an overview of the importance and nature of financial planning.

[Five Investing Pitfalls To Avoid](#) - a must read for new investors!

[Guide to Stock-Picking Strategies](#) - a first-rate tutorial that looks at some of the most common (and successful) methods for selecting stocks.

Now that you've gotten your feet wet with financial data, it's time to put your stock analysis skills to use.

Simulator How-To Guide: Diversified Portfolio

Probably the worst mistake a new investor can make is to not properly diversify their portfolio. Simply put, it is foolish to invest all your money in one investment. It may be tempting to invest your life savings in a "hot stock tip", but one of these hot tips may burn up your entire net worth. In short, diversify.

Since we are buying stocks throughout the course of this How-To Guide, let's focus on building a diversified equity portfolio. To do this, we need to understand a little bit about the nature of diversification, which is actually more common sense than you might expect. For example, consider the fast-food chain **McDonald's Corporation** (NYSE: [MCD](#)). They've been very successful in the past, but if a new healthy diet fad hit North America, their profits would likely take a nosedive. In fact, similar companies such as **Wendy's International Inc.** (NYSE: [WEN](#)) and **Yum! Brands Inc** (NYSE: [YUM](#)) would surely suffer comparable losses. If you had chosen to "diversify" your portfolio by investing in a bunch of different fast-food companies, you'd probably lose just as much money as someone who dumped their life savings into McDonald's stock.

Diversification is not simply spreading your money around into different companies; you have to diversify your investment funds into different types of companies. For example, if you currently own shares in Wal-Mart and wanted to make another investment, you'd be better diversified by investing in oil giant **Exxon Mobil** (NYSE: [XOM](#)) than Wal-Mart rival **Target Corp** (NYSE: [TGT](#)).

Of course, when we're making real-life diversification decisions, investors use a more

scientific approach. The widely used [GICS](#) (global industry classification standard) system divides the economy into 10 general sectors, which we'll use as a model to diversify our portfolio. The 10 sectors are listed below; with an example of a stock that fits in that sector.

Sector	Stock Example
Energy	Exxon Mobil (NYSE: XOM)
Financials	Goldman Sachs (NYSE: GS)
Materials	BHP Billiton (NYSE: BHP)
Industrials	Deere & Company (NYSE: DE)
Utilities	FirstEnergy Corp. (NYSE: FE)
Information Technology	Google Inc. (Nasdaq: GOOG)
Telecommunication Services	Tellabs Inc. (Nasdaq: TLAB)
Consumer Discretionary	Wal-Mart Stores Inc (NYSE: WMT)
Consumer Staples	Coca-Cola Company (NYSE: KO)
Health Care	Johnson & Johnson (NYSE: JNJ)

Suppose you already own WMT,TLAB and PIR we don't want to purchase any more companies from the Consumer Discretionary or Telecom sectors. However, we do need to purchase at least 8 more stocks, around one from the remaining 8 sectors. Feel free to use a stock screener to get a list of stocks within a given sector.

For example, you could run a stock screen for each financial sector to produce a list of stocks currently trading under that sector, and pick one or two companies from each sector that interest you and meet your analysis criteria.

This brief lesson is only the tip of the stock analysis iceberg (read our [Stock-Picking Strategies](#) tutorial for more in-depth coverage), so we can't possibly explain everything you might want to look at when comparing stocks. For example, you may want to look at the P/E ratios of all the energy stocks that you found. Which one has the lowest P/E ratio? Do you think its low P/E ratio is an indication it may be undervalued? If so, that could be one of the factors compelling you to choose that stock. Feel free to dig around the numbers and compare these stocks to each other, but don't spend too much time doing so; more advanced analysis techniques can be learned by reading through our website's many resources. A select few would be:

[Fundamental Analysis Tutorial](#)

[Technical Analysis Tutorial](#)

[Advanced Financial Statement Analysis Tutorial](#)

[Ratio Analysis Tutorial](#)
[Investopedia's Industry Handbook](#)

Feel free to read through these and other resources that we offer as regular reading goes a long way in improving your investment knowledge.

Simulator How-To Guide: Selling Stocks

Depending upon how quickly you've worked through the previous sections, the stocks in your portfolio might not have seen very big changes in price yet. Usually, investors who are looking to buy and hold stocks do not sell them until, at the very least, a few months after their purchase. However, in this case our goal is to train you how to sell a stock, not to pick the optimal time to do so (learn more about when to sell a stock in [The Art of Selling a Stock](#)). Let's walk through a few stock sales so that you can learn exactly what you need to do when it really matters.

The first question you're probably asking is, "How do I decide when it's time to sell a stock?" Let's start by taking a look at your current Portfolio Summary, which should look something like this:

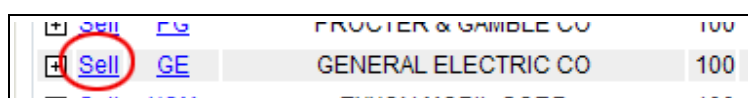
Game: Investopedia Competition (No End) [Refresh Portfolio](#) | [Add/Edit Game](#) | [Reset Portfolio](#)

Account Value (USD): \$136,847.00 Buying Power: \$44,593.91 Cash: (\$47,659.59) Annual Return: 110.33%

Stock Portfolio		Trade Stock Symbol Lookup							
	Symbol	Description	Qty	Purchase Price	Current Price	Total Value	% Chg	Gain/Loss	
<input type="checkbox"/>	Sell WMT	WAL-MART STORES INC	100	\$50.75	\$48.17	\$4,817.00	-5.08%	-\$258.00	
<input type="checkbox"/>	Sell DIA	DIAMONDS TRUST	100	\$139.99	\$134.40	\$13,440.00	-3.99%	-\$559.00	
<input type="checkbox"/>	Sell SPY	STANDARD & POORS DEP REC	100	\$155.22	\$147.97	\$14,797.00	-4.67%	-\$725.00	
<input type="checkbox"/>	Sell QQQQ	POWERSHARES QQQ TR SR 1	100	\$50.59	\$51.79	\$5,179.00	2.37%	\$120.00	
<input type="checkbox"/>	Sell NYSE	NYSE EURONEXT INC	100	\$79.45	\$89.02	\$8,902.00	12.05%	\$957.00	
<input type="checkbox"/>	Sell JNJ	JOHNSON & JOHNSON	100	\$62.28	\$68.12	\$6,812.00	9.38%	\$584.00	
<input type="checkbox"/>	Sell PG	PROCTER & GAMBLE CO	100	\$62.85	\$74.17	\$7,417.00	18.01%	\$1,132.00	
<input type="checkbox"/>	Sell GE	GENERAL ELECTRIC CO	100	\$40.70	\$37.47	\$3,747.00	-7.94%	-\$323.00	
<input type="checkbox"/>	Sell XOM	EXXON MOBIL CORP	100	\$92.55	\$93.55	\$9,355.00	1.08%	\$100.00	
<input type="checkbox"/>	Sell FSLR	FIRST SOLAR, INC. COMMON STOCK	100	\$111.00	\$263.00	\$26,300.00	136.94%	\$15,200.00	
<input type="checkbox"/>	Sell GOOG	GOOGLE INC A	90	\$517.42	\$697.00	\$62,730.00	34.71%	\$16,162.20	
<input type="checkbox"/>	Sell GS	GOLDMAN SACHS GROUP INC	100	\$206.10	\$210.11	\$21,011.00	1.95%	\$401.00	
						Total:	\$184,507.00	21.61%	\$32,791.20

As you can see in this example Portfolio Summary, some of the stocks purchased have increased in value while others have decreased, which is probably the case with your own portfolio. Take a look through your portfolio and pick a stock.

In this example portfolio, we will sell **General Electric CO** (NYSE: [GE](#)) to demonstrate the selling process. First, to sell this stock, we simply need to click on the Sell link next to its listing in our Stock Portfolio.



You should proceed to the Trade Stock screen with the correct sale information pre-entered in the required fields. Click Preview Order to proceed to the order confirmation screen (shown below), where you can then click Submit Order to confirm your sale for execution. Be sure to submit your order as a market sell order.

Preview Order			
Description	Transaction	Stop/Limit	Duration (Term)
GE	Sell Market	n/a	Good till Cancelled
At a price of \$37.47 per share, the value of this transaction is estimated at \$3,747.00, plus commission of \$19.99 for a total of \$3,727.01			Price \$37.47
			Quantity 100
			Commission \$19.99
			Est Total Order* \$3,727.01
Cancel Order		<< Change Order	
		Submit Order >>	

Assuming you submit your sell order during normal market hours, it will be executed by our trading system within 20 minutes. If you submitted it outside normal market hours, your order will be executed at the start of the next trading day.

Now that you've sold a stock from your portfolio, you should replace it with a new investment. It's probably a good idea to replace the stocks you sold with new ones from the same sector, so that your portfolio will maintain its diversification. In our example portfolio, we sold GE, which is from the Consumer Discretionary sector, so we'll make our new stock pick from those same sector. The steps for entering buy orders are very similar to the sell orders we just processed, but if you need a refresher, feel free to review how to buy a stock in stock buying section .

If you ever need to review the details of your past trades, you can easily do so by clicking on Trade History, which is accessible as a link after clicking the Portfolio tab.

Trade History								
newinvestor - Investopedia Competition								
(No End)								
Date	Ticket	Trade Type	Symbol	Quantity	Price	Fee	Total Cash Value	Balance
7/19/2007 3:39 PM	25287761	Buy Market	FSLR	100	\$111.00	\$19.99	\$11,119.99	\$99,815.09
7/19/2007 3:38 PM	25287725	Buy Market	XOM	100	\$92.55	\$19.99	\$9,274.99	\$99,840.08
7/19/2007 3:37 PM	25287717	Buy Market	GE	100	\$40.70	\$19.99	\$4,089.99	\$99,860.07
7/19/2007 3:36 PM	25287699	Buy Market	PG	100	\$62.85	\$19.99	\$6,304.99	\$99,880.06
7/19/2007 3:36 PM	25287691	Buy Market	JNJ	100	\$62.28	\$19.99	\$6,247.99	\$99,900.05
7/19/2007 3:36 PM	25287675	Buy Market	NYX	100	\$79.45	\$19.99	\$7,964.99	\$99,920.04
7/19/2007 3:35 PM	25287652	Buy Market	QQQQ	100	\$50.59	\$19.99	\$5,078.99	\$99,940.03
7/19/2007 3:34 PM	25287632	Buy Market	SPY	100	\$155.22	\$19.99	\$15,541.99	\$99,960.02
7/19/2007 3:34 PM	25287629	Buy Market	DIA	100	\$139.99	\$19.99	\$14,018.99	\$99,980.01

With the completion of this section, you now know how to perform basic market sell orders.

Simulator How-To Guide: Advanced Trade Types

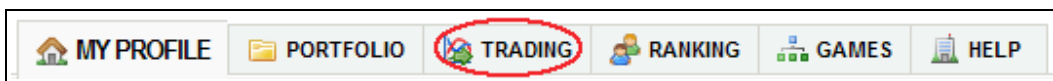
So far, you've only bought and sold stocks using market orders, which is essentially you instructing your online brokerage to "trade the numbers of shares I've instructed you to at the current price other people are trading this stock at". Your first stock purchase, WMT, was bought with a market order. Shortly after you made this trade, you probably noticed that WMT went a little bit higher or lower immediately after buying it. Then, later on in your training, we helped you sell a stock you owned by entering a market sell order.

While simple market orders are fine to use, there are more advanced trading orders you can place. Let's walk through the limit order.

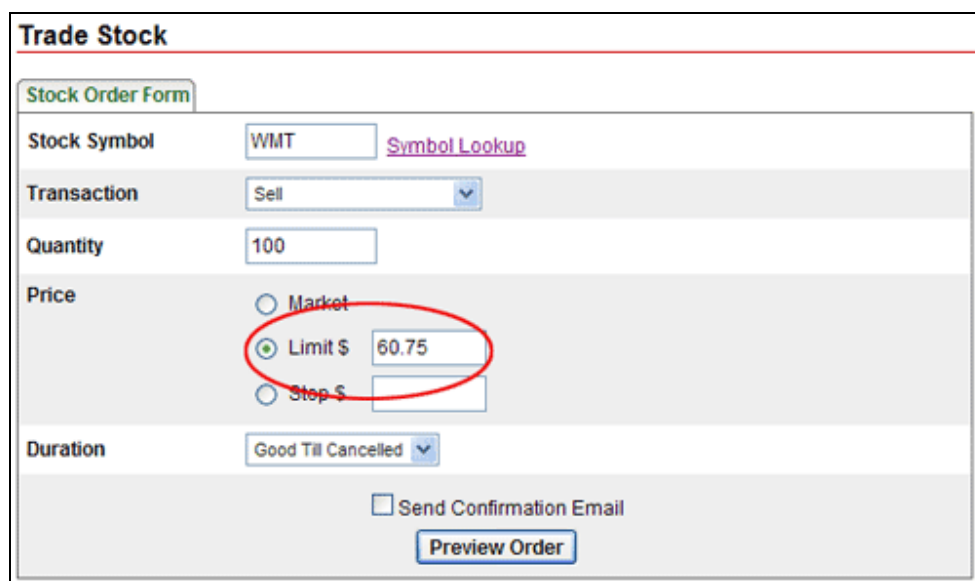
Limit Order

Essentially, a limit order is an instruction to your brokerage to buy (or sell) a specified number of shares of a company when the prevailing market price is equal or lower than (or in the case of a limit sell order, equal or higher than) the specified price that you submitted. For example, in an earlier section of this guide, our example portfolio purchased shares of **Wal-Mart** for \$50.75 per share. Now we plan to sell our WMT shares after they realize a \$10, or roughly 20%, increase. However, rather than constantly checking the market several times in a single day, with the intent of entering a market sell order once WMT reaches at least \$60.75 per share, we can submit a simple limit sell order to do that for us.

Click on the Trading tab near the top of the screen.



Once at the order entry screen, you can input the trade instructions for a limit sell order:

A screenshot of a 'Trade Stock' form. The form is titled 'Trade Stock' and has a sub-header 'Stock Order Form'. It contains several fields: 'Stock Symbol' with 'WMT' and a 'Symbol Lookup' link; 'Transaction' with a dropdown menu set to 'Sell'; 'Quantity' with a text input field containing '100'; 'Price' with three radio button options: 'Market', 'Limit \$' (which is selected and circled in red), and 'Stop \$'; and 'Duration' with a dropdown menu set to 'Good Till Cancelled'. At the bottom, there is a checkbox for 'Send Confirmation Email' and a 'Preview Order' button.

Click on Sell for the Transaction type and enter 100 for the Quantity. For the order price, you need to select the button corresponding to Limit and then enter 60.75 as the limit price - this will ensure your order to sell WMT shares will not occur unless you can get at least \$60.75 per share for your position of WMT shares. We keep the order's Term set at "Good Till Cancelled", which means the order will stay active and be processed once WMT shares reach or exceed your limit price. (*Note: We could have set Term to be "Day Order", which means the order would expire at the end of the current trading day if the order does not execute).

As you can see, the use of limit sell orders is very useful if you wish to sell a stock at a specific target price, but are unwilling or unable to regularly check intraday or daily closing prices of the stock. Also, an added advantage of using limit sell orders is that they remove the emotional component of making trading decisions. Too often, investors will be tempted to hold on to a winning stock even once it becomes overpriced. Submitting a limit sell order immediately after you buy the stock is a good time to avoid any emotional complications, allowing you to better maintain your strategy and realize superior long-term returns.

Similarly, limit buy orders are equally useful. You can enter a limit buy order with a certain limit price, which allows you to buy a set number of shares only if the stock's market price equal to, or lower than, the maximum limit price you entered. In our example portfolio we purchased WMT for \$50.75/share with a market buy order. But perhaps we thought WMT was a bit overpriced at the time, so we could have used a limit buy order to purchase 100 shares only if WMT fell to \$45.00/share or less. That way, we only buy at a price we believe is fair. If WMT does not fall to \$45, the order will not be processed.

Clearly, this type of order could work to our advantage as we can potentially realize greater returns if we can enter a position in WMT at a lower price.

Now that we understand how to use limit orders to specify prices at which we want to buy or sell stock, let's walk through a stop order. A stop order, or stop-loss order, can be a useful tool for limiting risk exposure to a particular stock position.

Stop Order

Essentially, a stop order is "dormant" until a stock's price falls to the specified "stop price". In other words, a stop order is an instruction to your brokerage to buy (or sell) a specified number of shares of a company when the prevailing market price is equal or higher than (or, in the case of a sell stop order, equal or lower than) the specified price that you submitted. In our example portfolio, we purchased shares of **Google Inc** (Nasdaq: [GOOG](#)) for \$463.18 per share. Many investors use a sell stop order to limit their losses, meaning that they'll automatically sell if a stock goes down a certain percentage.

Entering a stop order is an efficient and cost-effective means of limiting losses by avoiding the agony of regularly checking your stock and deciding whether to hold or sell

it. For instance, if a so-called growth stock has headed south, an investor may choose to hold, hoping the share price might rebound, but if it doesn't, losses can quickly mount.

For our example portfolio, we could set up a stop-loss order for GOOG by clicking on Trade Stock under the Trading section, and then enter the fields as below:

The screenshot shows a 'Trade Stock' form with the following fields and values:

- Stock Symbol:** WMT (with a [Symbol Lookup](#) link)
- Transaction:** Sell (dropdown menu)
- Quantity:** 100
- Price:**
 - Market
 - Limit \$ []
 - Stop \$ 47.75
- Duration:** Good Till Cancelled (dropdown menu)
- Send Confirmation Email
- Preview Order** (button)

Clicking on Preview Order and then Submit Order will finalize our stop-loss order, which will remain dormant in our Simulator account, only becoming active if GOOG drops to \$450/share or less. Stop-loss orders obviously cannot prevent losses from occurring, but it does make sure that small losses don't become big losses.

Following the steps outlined in the above example, select a stock from your portfolio and set up a stop-loss order, specifying a stop price, say 20% (or whatever value you desire), lower than the purchase price.

An important point to note is that stop-loss orders carry commissions just like any order, but only if it is executed. So, it essentially serves as a safety net that does not cost anything until it gets used. However, note that stop-loss orders and limit orders usually carry a slightly higher commission than simple market orders. The Investopedia Simulator charges \$29.95 for stop and limit orders, while market orders only cost \$19.95.

Now that you've learned about stop and limit orders, try placing a few with the stop/limit prices near the current prices of your stocks.

You'll see how these are executed automatically over time. While stop-loss orders can help limit your potential for serious losses, it's entirely possible to profit from falling prices - a topic covered in following section.