

Ups and Downs

Q What makes stock prices go up and down from one day to the next? — *D.M., Glendale, Calif.*

A Over the long run, a stock's changing price should reflect the changing value of the company. As the company grows and sells more widgets, it's worth more — and vice versa.

But over the short term, lots of serious or silly things can move a stock, such as: strong or weak earnings reports, changes in management, new products or services, big contracts landed or lost, famous investors buying or selling shares, media coverage, analysts upgrading or downgrading the stock, the overall stock market rising or falling, other stocks in the same industry rising or falling, heightened fear or greed among investors, good or bad news regarding a competitor, lawsuits filed or won or lost, the prospect of legislation affecting the company's future, changes in supply or demand for the company's offerings, global expansion or retrenchment, people expecting big things because the industry is "hot," or rumors that the company might buy or be bought by another company.

Ignore short-term moves. Focus instead on your company's health and long-term growth prospects.

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Q Are capital-gains taxes the same regardless of my income, or can I decrease them by realizing gains in a year when my income is less than normal? — *K.L., Tampa, Fla.*

A For most of us, *for now*, the tax will be the same: 15 percent for long-term gains, unless your income is so low that you're in the 15- or 10-percent tax bracket (in which case it might be zero). Short-term gains are taxed at your ordinary income tax rate. If you have capital losses, you can offset your gains with them. Learn more at [fool.com/taxes](http://fool.com/taxes).

Got a question for the Fool? Send it in — see *Write to Us*



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## 7 Amazing Economic Facts

At Fool.com, Morgan Housel recently shared some "mind-blowing" economic facts. Here are a few of them — see if any surprise you:

- In 1998, oil industry executives told Congress that oil would average \$10 a barrel for the following decade. In reality, it averaged \$44.90 a barrel. Most people are terrible at predicting the future — even (or especially) experts.

- According to the Department of Agriculture, one-third of the calories Americans consume come from restaurants, almost double what it was three decades ago.

- A study of retired investors between 1999 and 2009 showed those who hired a stockbroker underperformed those managing their own money by 1.5 percent a year. "Fees accounted for only about half the gap," writes Jason Zweig of *The Wall Street Journal*.

- Adjusted for inflation, the median average hourly wage was lower in 2011 than it was in 2001.

- According to Dartmouth political scientist Dean Lacy, states that receive more federal government spending than they contribute in tax revenue tend to support Republican candidates, who typically vow to cut spending.

- Housing may be turning faster than you think. According to *Wall Street Journal* economics editor David Wessel, "The fraction of homes that are vacant is at its lowest level since 2006."

- According to *Bankrate.com*, nearly half of Americans don't have enough savings to cover three months' expenses. Worth noting: The average duration of unemployment is now 10 months.

The picture that many of these stats paint is that in general, Americans are pressed, financially, with insufficient savings. The silver lining is that we can improve our lot by saving and investing more — as much as possible. We can invest more effectively, too, by learning to manage our own money, avoiding common mistakes and seeking out low fees.

Tune in next week for a few more facts. And develop your investing smarts at [fool.com/how-to-invest](http://fool.com/how-to-invest) and [morningstar.com](http://morningstar.com).

My Dumbest Investment

## Wild Yield Chase

In the mid-2000s I chased yields, investing about \$17,000 in the Impac Mortgage Holdings real estate investment trust (REIT). It was involved in "liar loans" — mortgages requiring no income or asset documentation — among other things. I compounded my stupidity by making the position a huge percentage of my portfolio. I had my personal financial meltdown in 2007. I salvaged about \$450 from the investment and bought stock in Heinz at around \$37 per share (now it's \$55). My loss was the price of an education. — *Tom B., Phoenix*

**The Fool Responds:** It's too late for you, but Impac recently announced it would no longer offer liar loans. The stock took shareholders on a wild ride, reaching a split-adjusted level of more than \$190 per share back in 2004, and recently trading for close to \$2 per share. Lax lending standards before the mortgage bubble burst caused many investors to lose money — especially those, like you, who had too many eggs in the financial services basket.

Heinz yields more than 3 percent, and has averaged 9 percent growth annually over the past 20 years.



Do you have an embarrassing lesson learned the hard way? Boil it down to 100 words (or less) and send it to [The Motley Fool c/o My Dumbest Investment](mailto:The Motley Fool c/o My Dumbest Investment). Got one that worked? Submit to [My Smartest Investment](mailto:My Smartest Investment). If we print yours, you'll win a Fool's cap!

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The Motley Fool Take

## Duke-lear Power

Shares of Duke Energy (NYSE: DUK) have been performing well lately, rising more than 20 percent over the past year. It helps that it produces something we use regardless of economic conditions: electricity.

Admittedly, Duke doesn't bring exciting growth to the table, but its portfolio of power generation is basically unsurpassed. In addition to taking advantage of low-cost natural gas prices, which are making electricity cheaper and boosting profit margins, Duke has been a leader in moving its production toward renewable energy fuel sources. Duke recently had 1,630 megawatts' (MW) worth of wind energy production, 11 solar farms and 3,200 MW of hydroelectric power, making it the second-largest renewables producer in the United States. It's even begun dabbling in biofuel electrical generation.

Duke also enjoys a competitive advantage in the form of a barrier to entry in the utility business that keeps its dominance intact. With few competitors having the cash to take on Duke, it can instead focus less on marketing its business and more on researching ways to make electrical generation more efficient.

The stock may not be a screaming bargain at recent levels, but it does offer patient shareholders a dividend yield that was recently a hefty 4.6 percent. Duke has been upping that payout by an annual average of nearly 19 percent over the past five years.



## Name That Company

Several decades old and based in Colorado, I'm a top global satellite company, operating in more than 100 countries. My HughesNet service is North America's top high-speed satellite Internet provider, and my Slingbox devices stream television programming. I offer digital video set-top box products for the European free satellite and terrestrial viewer markets. In 2008, my parent company separated me from DISH Network, with which I still do business. In 2011, I bought Hughes Communications. I operate 11 satellites and rake in more than \$2.7 billion annually. My ticker looks like some college entrance exams. Who am I?

Know the answer? Send it to us with Foolish Trivia on the top and you'll be entered into a drawing for a nifty prize!

## LAST WEEK'S TRIVIA ANSWER

I trace my history back to Price Club's founding in 1976 and to my merger with it in 1993. Based in Washington state, I operate more than 600 warehouses globally, where my 66.5 million card-carrying members shop. Ninety percent of my U.S. and Canadian members renew each year. I rake in close to \$90 billion annually and employ more than 160,000 workers worldwide. I'm America's second-largest retailer. I sold 55 million chickens and 6.5 million tires in fiscal 2011 and filled 35 million prescriptions. I don't charge more than 15 percent over the cost of any product. Who am I? (Answer: Costco Wholesale)



**Write to Us!** Send questions for Ask the Fool, Dumbest (or Smartest) Investments (up to 100 words), and your Trivia entries to [Fool@fool.com](mailto:Fool@fool.com) or via regular mail c/o this newspaper, attn: The Motley Fool. Sorry, we can't provide individual financial advice.