

THE BROOKERS



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A User's Guide

Film Synopsis – *The Brokers*

It is 1984. Canada's financial heartland, Bay Street, Toronto, is in the doldrums. Stocks traded on the stock exchange have been dropping for fourteen straight months. Stock-brokers have been forced to run hard just to break even.

It is against this backdrop that this half-hour film, *The Brokers*, is developed. The film interweaves various aspects of the stock market. Through the brokerage firm of McLeod Young Weir, the viewer is taken into the intricate world of the Market. Individuals reach for the fortune that most often eludes them, finding that even the best advice from brokers, investment letters and financial gurus does not guarantee success.

The wild and unpredictable nature of the stock market is highlighted by the Vancouver Stock Market, where stock investors deal in high-risk penny stocks that finance drilling and mining activities across Canada. Fortunes are won and lost quickly. It seems that only the most astute and adventurous risk takers should try their hand here. On the Toronto and New York exchanges, stock market activity seems more orderly but only slightly more predictable. In both cases, knowledge of the stock, good advice and luck are the main ingredients of success.

After asking how an individual can acquire the knowledge necessary to participate in the market, the film presents several different approaches.

John Nest is a watcher. Each day, John visits his stocks at the exchange. He works by a system that involves a bid-and-sell relationship. Others do not have systems and so rely on expensive stock market newsletters to provide up-to-date financial advice. Yet each of these newsletters has its own system for success. To Dr. Morton Shulman, author of *The Money Letter* and the man who has made and kept 40 million dollars, success in the stock market means diversification. Others, such as Andy Sarlos, believe that a good box of Maalox, the resilience to come back from failure, and enjoyment of the game are the only qualities necessary for participants in the market.

Of course there are the brokers, who spend long days and nights searching for the evidence that one stock will do better than another and so advise their clients.

While these and other players move in and out of *The Brokers*, it is the capricious events of August 3, 1984, that show the real excitement of the market. On August 3, the New York Stock Exchange exploded in a frenzy of buying. For various reasons, investors decided it was time to buy. The New York Exchange traded a record 236 million shares, while the Toronto Exchange set a record of 15 million shares traded. One week later, the bull market turned bearish; investors retreated, losses mounted. Again fortune seemed an illusive dream.

The Brokers provides a revealing look at how and why individuals use the market. Students and teachers will better understand the complex nature of the market and the crucial need for the buyer to be aware.

Target audiences

- Teachers of economics
- Students in economics and business courses, grades 9-13
- Guidance counsellors and other career-oriented agencies.

Suggested Activities and Questions

It is assumed that students have little experience with the stock market and the business section of their newspaper. The activities that follow are designed to familiarize students with the economic information available in the paper. At the same time, students will be given the opportunity to learn to read and use the daily stock market quotations published in the newspaper. From this base, students will be able to see the role played by the brokers in the stock market.

- 1 Students should begin to build a glossary of words that are used in the stock market and in the offices of brokers. Identify and use in context the following words:**

stocks	capital gain	commodities
stock market	capital loss	financial guru
broker	revenue	penny stock
brokerage firm	profit	offers
trading	options	investments
trading floor	futures	bull and bear markets

Note to teachers: Depending on the level of students, this list can be more or less complex. Defining these words and using them in context will assure that students have a basic stock market vocabulary.

- 2 Have students purchase a paper on the same day of the week. The teacher will take students through the business section pointing out the information contained in it.**
 - While reading this section, the teacher and students should make a list of businesses that are mentioned in the articles.
 - Once this list has about twenty companies, the students should be asked to place these businesses into categories: mines, oils, banks, steel, industry, etc.
 - Which areas seem to be showing strength and which ones weakness? Why?

3 In this exercise students will be given a method for analyzing and summarizing an article from the business section of the newspaper.

Select an article from the business section of the newspaper and write a summary of the article.

- Why was it written? What happened to cause the story to be written? Was there a conference, new law, economic or social event?
- What is the main or general idea of the article? State this briefly in your own words.
- What are the important supporting arguments and evidence?
- How well researched is it? What interviews, statistics, observations, etc., were done to write the story? Who wrote it, a reporter or columnist of the paper or magazine, or was it simply rewritten from a wire service report?
- Is the reporting fair? Is it biased? Is each side of the story given equal treatment and space in the story? Is the reporting objective or is it slanted in some way?
- What do you think about it? What are your thoughts about the issues expressed in the article? How would your economic decisions be influenced by this article?

4 Students focus on one sector of the economy and develop a scrapbook that includes at least six articles.

- Analyze each article (see question 3 above).
- Develop a glossary of new words. These new words should be written on a master sheet, kept by the teacher, and posted on the bulletin board.
- Make a presentation to a group of three students explaining why they should or should not buy stocks in this sector of the economy.
- Identify which companies would be good or bad investment choices and list your reasons.
- Make a list of difficulties you experienced as you tried to give good financial advice.

5 This exercise is designed to help students read and use the daily stock market quotations published in the newspapers.

Examples of Stock Market Quotations (Quotes – Wednesday, February 18, 1987)

Stock	Div	Bid or High	Ask or Low	Close or Last Price	Chge	Vol	High	Low
Alt. Energy	.30	16 $\frac{7}{8}$	16 $\frac{5}{8}$	16 $\frac{3}{4}$	- $\frac{1}{8}$	95206	17.50	9.75
Bk. Mtl.	2.00	38 $\frac{1}{4}$	37 $\frac{7}{8}$	38		104693	39.25	27.25
GMC	5.00	102	101 $\frac{1}{2}$	102	+ $\frac{1}{2}$	1141	123.25	91
Stelco A	1.00	23 $\frac{1}{8}$	22 $\frac{1}{2}$	22 $\frac{1}{2}$		91249	28.75	17.75
Toronto Sun	.15	29	28 $\frac{3}{4}$	28 $\frac{3}{4}$	- $\frac{1}{4}$	15071	32.75	22.75
Westfield		245	218	245	+30	156875	255	107

Definition of Terms

Stock
the short name of the stock.

Div
the most recent dividend (a kind of interest paid as profits allow) per share paid to stockholders, expressed in dollars.

Bid or High
this is the highest bid (price that someone was willing to pay) for the stock if it was not traded that day, or the highest price paid for it if it was traded that day.

Ask or Low
this is the lowest asking price (what someone was willing to sell for) whether or not the stock was actually sold that day.

Close or Last Price
this is the very last price paid for this stock that day.

Chge
this is the difference between the last price today and the closing price of the previous day.

Vol
this indicates the total number of shares of this stock traded that day. If the stock was not traded that day, either the stock would not be listed or a *nt* symbol would appear in the volume column.

High, Low
these figures are the highest and lowest prices paid for the stock in the last 52 weeks.

Now use the stock market quotations and what you have learned about how to use quotations. Express all answers in dollars.

- What was the lowest price paid for Bank of Montreal stock this year? _____
- What was the highest price paid for Westfield stock on this day? _____
- What was the final price of Toronto Sun stock yesterday? _____
- What was the total cost of all GMC stock that was purchased this day? _____
- What was the total cost of all Stelco A stocks that were sold this day? _____
- Which stock has earned the most income per share so far this year? _____

- 6** To buy or sell stocks you must pay a stock broker a fee in addition to the actual cost of the stocks that day. This broker's fee is 2% of the total transaction or \$25.00, whichever is greater. For example, a \$2,000.00 purchase would cost $.02 \times 2,000 = \$40.00$.

If you bought 1000 shares of Bank of Montreal at the lowest price it sold for today, what would it cost you altogether?

Purchase cost = no. of shares _____ x price _____ = _____
 Plus the broker's fee (.02 x total cost or \$25.00, whichever is greater) + _____
 Net or total cost = _____

- 7** Suppose you bought 1000 shares of Toronto Sun stock at its highest price of this year and you sold it at the closing price of this day. What would your net profit or loss be?

Purchase cost = no. of shares _____ x price _____ = _____
 Plus the broker's fee + _____
 Net cost = _____

Income from sale = no. of shares _____ x price _____ = _____
 Minus the broker's fee - _____
 Net income = _____
 Minus net cost - _____
 Answer _____

- 8** Suppose you bought 1000 shares of Alberta Energy stock at the lowest price it sold for in the last 52 weeks and then you sold it at today's highest price. What would your net profit be?

Purchase cost = no. of shares _____ x price _____ = _____
 Plus the broker's fee + _____
 Net cost = _____

Income from sale = no. of shares _____ x price _____ = _____
 Minus the broker's fee - _____
 Net income _____
 Net profit = Net income _____
 Minus net costs - _____
 Answer _____

9 Now that you have some knowledge as to when and how to buy stocks, pretend that you are a broker preparing to advise a client. Use the entire business section, including the stock quotation page, to prepare an argument defending the purchase of a stock. Try to combine in your argument some of the following:

- Briefly identify the stock you wish to sell your client.
- In a logical order, develop three different pieces of evidence to support your choice.
- If you can find arguments raised by others against your choice, list them.
- Challenge the validity or critically evaluate the arguments presented against your choice.

Questions to consider while viewing the film

- 1 What is the function of the stock market?
- 2 What is the role played by a broker in the stock market?
- 3 Make a list of activities that occur at McLeod Young Weir on any particular day.
- 4 What is the relationship between the floor traders and the trading room?
- 5 What problems have occurred in the past at stock exchanges that have meant disaster for the small investor?
- 6 If a small investor does not get advice from a broker, where else can he/she go to get the needed advice?
- 7 Why has investment interest grown in Quebec and British Columbia?
- 8 What factors have caused stock investment activities in mines and oils to move from Toronto to Vancouver?
- 9 What is the difference between buying options and futures, and buying shares?
- 10 Record the advice given to small investors by each of the following: Morton Shulman, Ian McAvitty, Andy Sarlos.

Questions to discuss

- 1 What potential illegal activities could occur at the stock exchange that could hurt investors?**
- 2 Briefly explain the following quotes:**

“The stock market is like a roller coaster; sometimes it takes you to the top; sometimes it brings you to the bottom.”

“When nobody likes something, that is the time to be a buyer.”

“Fear and greed are dominant forces in the market.”
- 3 If stock brokers only get 2% of the total value of shares bought, why can they be accused of “gouging huge spreads with no liability.”**
- 4 The Vancouver Stock Exchange is “a market of dreams.” Explain.**
- 5 Examine the advice given to small investors by Morton Shulman, Ian McAvitty and Andy Sarlos. Be sure to discuss how each piece of advice complements the other.**
- 6 What kind of preparation is necessary before an individual invests in the stock exchange?**

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Color

Screening Time **29 minutes 10 seconds**
16 mm **106C 0187 025**
3/4" **116C 0187 025**
VHS **113C 0187 025**
Beta **114C 0187 025**

Graphic Design **Ivan Holmes**
Illustration **Bob Suzuki**

**Produced by
National Film Board
of Canada, Ontario
Centre, in association
with the Canadian
Broadcasting
Corporation.**

**Distributed by the
National Film Board
of Canada**



**National
Film Board
of Canada**

**Office
national du film
du Canada**

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P.O. Box 6100, Montreal, Quebec H3C 3H5
Printed in Canada