



Ticker's Tales

"Jack & the Beans Talk"

Jack is a devoted player of The Stock Market Game™. One day while researching Papa John's pizza on the web, he stumbled across an unusual term called beta. "What in the world is that?" he said to himself.

Suddenly, odd creatures appeared on his computer screen. "You called?" asked one of the critters.

Jack jumped. The creatures had huge oval heads that looked like beans. "Who — or what — are you?" blurted a bewildered Jack

"We're the Beta Beans. We can tell you anything and everything about beta."

"Well, I am puzzled," admitted Jack, who had settled down after his surprise. "I was checking Papa John's International to see if it would be a good investment. But there among all the statistics on the web page was a number called beta. It said Papa John's beta was 0.54. I have no idea what that means."

"It's time for a Beta Bean to teach a human being," said the legumes. "When the stock market moves up and down, individual stocks tend to move with it. Beta measures how sensitive a stock is to these changes in the overall market. Stocks that exactly match the ups and downs of the market have a beta equal to one. But some stocks are less sensitive to market changes. They swing up and down less than the overall market. Their betas are less than one."

"I get it," said Jack. "Papa John's has a beta of 0.54, which obviously is less than one. So when the stock market rises and falls, Papa John's stock probably changes more slowly."

"Right, bean brain," said the brainy beans. "But what if a stock's beta is greater than one?"

"The stock would probably rise or fall faster than the market," answered Jack. "It would be more sensitive to changes in the market."

Suddenly, the beans disappeared. Jack smiled as he thought about their lesson. He hoped his computer would soon again be full of beans.

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In January 2000 Jack bought two high-beta stocks. He paid \$58.50 for a share of Dell (DELL) and \$116.56 for a share of Microsoft (MSFT).

At the same time, Jill bought two low-beta stocks. She paid \$26.75 for a share of Papa John's (PZZA) and \$107.19 for a share of Procter & Gamble (PG).

Find the current prices of all four stocks in the newspaper. Whose stocks had the greater percentage change since 2000? Would you want to buy a high or low-beta stock? Why?