

Factors affecting the value of the shares

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Factors affecting the value of the shares

- factors coming from the organization's external environment
 - international environment
 - national environment
- factors coming from the organization's internal environment

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External factors - international environment

- **Global economic situation**

Stock exchange is hugely influenced by world's largest economic system, such as: USA, China, Japan, Germany, Great Britain

Also investors categorize countries according to the level of economic development and their investment decisions depend on the economic situation of all the countries for one group/category

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External factors - international environment

Raw material market

Crude oil, natural gas or copper (also gold and silver) are important determinants of events on the stock market. As research shows, the shares of companies on the Polish stock exchange "like" the bull market on raw materials.

Exchange rates

Changes on the currency market have a large impact, in particular, on import and export companies. Also, the exchange rates affect the financial results of companies operating abroad and settling accounts in foreign currencies.

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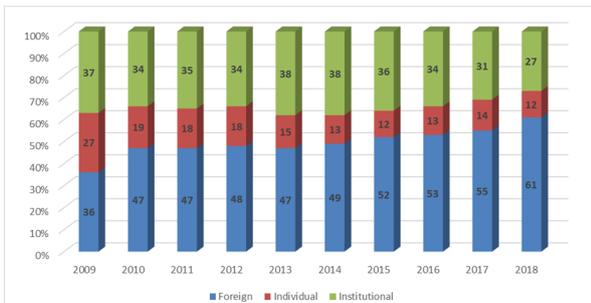
External factors - international environment

Behaviour of foreign investors on the Warsaw Stock Exchange (WSE)

Foreign investors are responsible for approximately 60% of turnover on the stock market in Poland. When they withdraw their funds, this results in instability and market drops.

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Participation of investors in WSE turnover (%)



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External factors - national environment

- **Behaviour of institutional investors**
In the situation of large changes in the portfolios of institutional investors, the entire market is affected, in particular, share prices of companies with institutional investors as their significant shareholders
- **Economic growth**
High and stable economic growth encourages companies to invest and to develop their business.

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External factors - national environment

- **Inflation**
High inflation rate negatively affects the equity market, because when the inflation rate is high the Polish Monetary Policy Council (Polish FED) raises interest rates and this means that the cost of capital increases

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Internal factors coming from the company's interior

- Financial results of the company
- Announcement of results forecasts
- Purchase and sale of significant blocks of shares
- Transactions of persons having access to confidential information
- Signing a significant contract
- Purchase of assets of significant value
- Stock analytics' recommendations

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Factors coming from the company's interior

- **Financial results of the company**
Financial results are an extremely strong incentive for stock market investors. Good financial results affect the increase in the value of securities, and bad - its decline.
- **Announcement of results forecasts**
When the board's forecasts are higher than the market expectations or than the recommendation of financial institutions, the share prices increase.

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Factors coming from the company's interior

- **Purchase and sale of significant blocks of shares**
Information about the increased purchase of significant blocks of shares by a big investor increases the share price, and sale causes a drop in the value of the stock.
- **Transactions of persons having access to confidential information**
It is assumed that board members would not buy if they did not expect the exchange rate to increase, as they have access to confidential information (transactions could be made in legally valid time periods)

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Factors coming from the company's interior

- **Signing a significant contract**
It is a contract that, in particular, causes the increase in revenues. The announcement about signing a new contract causes a positive reaction of shareholders.
- **Purchase of assets of significant value**
This includes information about the purchase of significant assets by the company or its subsidiary.
- **Stock analytics' recommendations**
A positive recommendation encourages the increase in the share price, and the negative one - its decline.

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Task analysis

Learn about the characteristics/background of Orlen Group (www.orlen.pl). Identify:

- 10 positive
- 10 negative

potential pieces of information, that could be published in the future which could affect share prices (this could range from news reports, press releases and company statements to global economic data). The slides provide general direction, but you should be more specific and precise. Keep it fake but probable. If recommendation - then give the price. When asset purchase - then what and where.

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Task 2

What impact might the following events have on the trading prices of shares?

- President of the board replacement
- Announcement of a tender offer
- Purchase of a significant block of shares by a well-known investor;
- Any terrorist attack
- The company takes out a loan/issue of bonds

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