

6-8 Grade:

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Not all Blue chip stocks are winners

I chose Coca-Cola as my stock pick, because I believe that Coke is better than Pepsi and any other soft drink for that matter. On January 3, 2005, Coke's stock price was \$56.58. Most blue chip stocks usually increase in price over time. In one year and years ahead, however, Coke did not increase, it actually decreased in one year. Coke's stock price on January 1, 2006 was \$43.92. Today the stock price of Coke continues to go down as the price of Coke today is \$40.13. People over the past few years have moved away from drinking soft drinks and the decline continues as people are moving towards a better quality of health and are making better choices about what they put in their bodies. The U.S. soda consumption declined 0.9% in 2014, marking the tenth straight yearly decline as more people in America move away from soft drinks and toward healthier beverage choices. Regardless of Coca-Cola's high profit margin, it has managed to decrease from the same period last year. Despite the mixed results of gross profit margin, the net profit margin of 7.08% trails the industry average. Coca-Cola has experienced a steep decline in earnings per share in the most recent quarter in comparison to its performance from the same quarter a year ago. As people continue to keep moving away from unhealthy drinks, Coca-Cola has continued to decline in stock price and value. The Coca-Cola Company has suffered a declining pattern of earnings per share over the past two years. During the past fiscal year, Coca-Cola reported lower earnings of \$1.59 versus \$1.90 in the prior year. Compared to where it was 12 months ago, the stock is up, but it has so far lagged the appreciation in the S&P 500. Diet Coke sales have tumbled in the last three years by 15%. Coca-Cola cannot rely on their new enhanced milk they need to be able to rely on their main coke products. Coke has basically been a dud in anyone's stock history if they have Coke. Coke has done nothing but decline in the past 15 years. Studies show that looking forward into Coke's future, it won't do much better in the next decade. Investing for the long term has proven to a wise choice, as when you look back on most blue chip stocks. In this case, Coke does not fit that mold. It is important when investing in the stock market to pick stocks that are going to be solid companies that customers will continue to use and buy. Coke stock has not been back to its original price since the year 2005. People that spent their money investing into Coke made a mistake. If you owned a share of Coke in 2005 you would have never made money from the time you bought it to this year. You would have actually lost money if you invested in Coke. Studies show that Coke continues to decrease, and with more and more people moving away from unhealthy beverages, it looks as if it will stay that way.

As I thought about Jason Hall's statement and the company I chose for investing for the long term, I realized that it is a good thing when you invest in the right companies. That means doing your research and looking to see what consumers are buying and looking into trends.