

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Abstract of Diploma Thesis

Economic Analysis of Google Inc. Stocks

Author: Daniel Míšek

Supervisor: Ing. Petr Procházka, MSc.Ph.D.

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Economic Analysis of Google Inc. Stocks

Ekonomická analýza akcií společnosti Google Inc.

Abstract

This diploma thesis is focused on economic analysis of Google Inc. stocks. (Due to transformation into Alphabet Inc. will Google Inc. be further on referred to as Alphabet Inc.) Thesis is divided into two main parts: theoretical and practical. Theoretical part starts with brief overview of what investments are and basic concepts investors use. Later is provided overview of all methods that are commonly used for stock analysis nowadays. These methods are: fundamental, technical and psychological analysis. In practical part are methods previously described used for evaluation of Alphabet Inc. stocks focusing on last three years. Starting by evaluation of fundamentals such as what fields company operates in what are its competitors, history and possible future. Continued by evaluation of financial statements, using various ratios and other methods. Next step was logically technical analysis which employed various methods of trend analysis based mainly on moving averages, Elliott's Wave Theory and recognizing chart patterns. Last step was brief application on psychological analysis and its principles onto Alphabet Inc. stock. Results of all methods of analysis were then reviewed to form a complete conclusion.

Keywords: Google Inc., fundamental analysis, technical analysis, investment, intrinsic value , capital market, stock, economy, trend, financial statement

Introduction

This thesis is devoted to topic of investment, to invest means to allocate money or some other resource with expectation of future gain. In finance investment usually refers to acquiring asset for a favorable price with expectation that this asset will generate income or appreciate. In authors opinion the fundamental task is decision making. Investment in this sense can be seen all around us e.g. choosing most beneficial route to work to maximize time efficiency, exercise in order to stay healthy or spending time reading this thesis to learn new things.

In case of this diploma thesis will be considered investment into Alphabet Inc. stock using methods of fundamental, technical and psychological analysis to determine if such investment is good or bad.

Objective

Objective of this thesis is to assess if Alphabet's stocks are able to be profitable investment. In order to find out if Alphabet's stock position is priced correctly methods of fundamental, technical and psychological analysis will be carried out. Fundamental question of this thesis is "*Are Alphabet's stocks nowadays a viable investment?*" This task will be interesting for many reasons, most importantly late transformation of Google Inc. into Alphabet Inc.

Methodology

A literature review was conducted using methods of extraction, synthesis, induction and deduction. As whole this thesis was divided into two main parts. Theoretical and practical. The theoretical part of this thesis was focused on over viewing of possible approaches to evaluation of stocks using fundamental, technical and psychological analysis and their tools so that author understands the whole concept.

Tools reviewed in theoretical part were used in analytical part to determine if company is valued correctly and whether price of the stock is appropriate. Results were quite surprising since fundamental and technical analysis results were contradictory therefore putting more stress on interpretation of results.

Results

After conducting all necessary analysis of Alphabet's financial statements and stock price movements, results of all used analysis methods were then summarised into a table where overall score was computed in order to avoid any analyst's bias. Surprisingly the result was zero out of 17 negative or positive points. Fundamental and technical analysis results were contradictory, which is exactly a reason why analysts use different methods to find any potential pitfalls. Results of psychological analysis were used as supplementary information since its results are highly subjective.

Conclusion

This thesis had a simple goal of providing complete answer to: “*Are Alphabet’s stocks nowadays a viable investment?*” using fundamental, technical and psychological analysis. Since technical and fundamental analysis results are contradictory it has to be stated that: Investment into Alphabet Inc. based on results collected is inconclusive since it does not offer simple answer whether to invest or not. Future re-evaluation is recommended (only adding new up-to date data). For further stock analysis author would suggest stock that is less “known” to public since many analysts agree on selling stock “*When even your barber recommends it.*”

However, despite unclear signals whether to buy, sell or hold, decision can be made on basis of time horizon of investment.

In the case of short term investment investing into Alphabet’s stock is not recommended based on current price and situation on the market where further 1 or 2 months of possible contractions and volatility are expected. However after this period, re-evaluation is recommended since impulse waves are expected with possible break through \$800 price level.

Short term signal: SELL

However in the case of long term investment Alphabet starts to make more sense, if investor uses facts mentioned in previous paragraph and waits for a favourable price to buy. Proving classic investor saying “*patience is a virtue*”. Alphabet makes a viable long term investment since it in general outperforms markets and shows steady growth and stable fundamentals.

Long term signal: HOLD

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