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How to Invest in the Nasdaq - A Guide for Beginners

The NASDAQ is one of the most famous indices in the world and boasts companies like Amazon, Apple and Tesla. Learn how to invest in the NASDAQ via our US Tech 100 offering.

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The U.S.-based Nasdaq - National Association of Securities Dealers Automated Quotations - stock exchange was founded in 1971.

In 2023, with a market capitalisation of around \$24 trillion, it is the second largest stock market in the world after the New York Stock Exchange (NYSE). Nasdaq provides investors with a platform to trade thousands of US companies, including global titans such as Apple, Tesla and Microsoft.

In this article we'll take a look at how the Nasdaq works, how it has performed, and ways for retail investors to trade it.

[TRADE_PLUGIN]TECH100USDT,BTCUSDT[/TRADE_PLUGIN]

A Brief Glance at Nasdaq

The Nasdaq is an exchange where investors can buy and sell around 3,700 stocks and shares.

At launch, it offered a new way for investors to trade using automation and without doing so inperson on a physical exchange floor - the most common means of executing share trades at the time.

Today, all-electronic trading is commonplace and anyone – from professional investor to enthusiastic amateur – can manage a share portfolio from a trading platform on his or her smartphone.

According to Nasdaq, over four billion shares were traded on the exchange on a daily basis in February this year.

The exchange is open for trading between 9.30am and 4pm Eastern Time Monday to Friday. The exchange also offers both pre-market and after-hours extended trading – from 4am till 9.30am and 4pm till 8pm respectively.

Nasdaq itself is a publicly-owned company, trading its shares on its own exchange under the market ticker symbol NDAQ.





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Invest in the Nasdaq: Which Companies Comprise the

Nasdaq?

Tertius Bonnin, assistant portfolio manager at EQ Investors, says: "Over several years, the Nasdaq has become the stock exchange of choice for companies in the information technology and biotechnology sectors, propelling the exchange's reputation as a powerhouse of growth companies."

The Nasdaq's constituent companies tend to be skewed towards tech-orientated businesses traditionally making it a bellwether for the wider technology sector. Investment experts say it's wrong, however, to think of the Nasdaq as being a 'tech-only' exchange.

Ben Yearsley, investment director at Shore Financial Planning, describes this as a myth worth dispelling: "It just happens that many of the biggest companies are in information technology. In fact, tech stocks only account for half, though there is a quirk here in that the second biggest sector, consumer discretionary, also includes stocks that many think of as technology, including Netflix and Tesla."

Nasdaq 100 and Nasdaq Composite Index

Given its overall size and the companies that participate on the exchange, the Nasdaq often appears in the financial news headlines.

But when the media refers to the Nasdaq, outlets are usually referring to one of two related stock indices, instead of the exchange itself: the Nasdaq 100 and the Nasdaq Composite Index.

The former tracks 100 of the largest and most actively traded securities, while the latter comprises around 3,000 common stocks listed on the exchange.

The Nasdaq Composite and the Nasdaq 100 both use the same modified market capitalisation weighting method in which the closing price of each stock is multiplied by the total number of shares to arrive at its market capitalisation.

Share weights are worked out by dividing each security's market cap by the total capitalisation of all the index's securities. Share weights for each company are then multiplied by that stock's closing price and the total divided by an index divisor that accounts for market fluctuations such as stock splits, mergers, etc.

The result is the day's Nasdag average.



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Nasdaq's Performance Till Now

Due to a cocktail of economic conditions, including soaring inflation levels, rising interest rates, and the war in Ukraine, last year was challenging for stocks and shares investors of all kinds. For those with exposure to the Nasdaq, 2022 was a horror show.

On the final trading day of 2022, the Nasdaq Composite ended the year down an eye watering 33.1%. This compared with a decline of about 19% for the S&P 500 index of 500 companies listed in US exchanges.

In contrast, the FTSE 100 index of leading UK shares – where 'old economy' stocks from the mining, energy and financial sectors hold sway – closed out December about 1% up on the year.

The Composite was particularly badly hit because the factors mentioned above stoked fears of recession – tech companies historically perform poorly during economic downturns as investors seek out more stable investments.

Many tech companies also rely on advertising income for a large portion of their revenue. As other companies cut advertising budgets in response to recession fears, high-profile names such as Alphabet and Meta saw ad revenues fall.

The strengthening of the US dollar also played a role in the Nasdaq's collapse in 2022 as US multinationals received less money from their international operations.

Prior to last year, however, Nasdaq stocks had historically outperformed the S&P 500. For example, in the five years to July 2022, the S&P 500 rose about 60%. An impressive enough return over the

period until you remember that the Nasdaq Composite increased by around 88% over the same time, while the Nasdaq 100 soared by 113%.

In these instances, the fact that both Nasdaq indices were tilted to tech and services contributed as much to the eye-catching performances of previous years as it did to when they faltered in 2022.

Shore Financial Planning's Ben Yearsley says: "The Nasdaq took a pummelling last year. In effect, there weren't any oil stocks or similar to protect investors as there were with, say, the FTSE 100.

"As the pursuit of growth fell out of favour as an investment style, then so did the Nasdaq. Higher interest rates aren't good for high growth stocks. But as the US Federal Reserve changes its monetary policy and pivots away from an ongoing series of interest rate hikes, then investors can expect the Nasdaq to fly once again."

And that, in effect, has been what has happened since the beginning of 2023 with things looking much more optimistic. Year-to-date (mid-July) the Nasdaq Composite is up nearly 40%.

Marcus Cave, analyst at Quilter Investors, says: "Investors should be aware that more speculative assets have been leading the rally, including lower quality and more interest-rate sensitive parts of the equity market, while crypto and meme stocks have also reacted positively to central bank announcements.

"Interestingly, we have seen retail trading volumes surge, and these investors often favour more speculative assets."

Invest in the Nasdaq: What Factors Affect the US Tech 100 Price?

The key to making a profit on the Nasdaq100 (US Tech 100) is knowing the right moment to open and close a position. For this, you need to have a good understanding of the index itself – including what drives its price up or down.

Some of the main factors that affect the US Tech 100's price include:

• The strength of the US dollar

- Economic events
- News releases
- Individual NASDAQ companies' share prices
- Earnings reports of those companies

Ultimately, if the above cause rises in NASDAQ-listed company share prices – particularly larger companies like Microsoft, Amazon or Apple – the US Tech 100's price will climb. If the companies' share prices by and large fall, so will the US Tech 100.



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How to Invest in the Nasdaq 100?

Investors can choose BTCC exchange to trade Nasdaq (TECH 100) easily. The exchange has witnessed a large trading volume of TECH 100 and is available in U.S., Canada and many other countries in Europe.

In short, <u>BTCC</u> is highly recommended due to its favourable attributes such as extremely low fees, user-friendly interface, excellent customer support, and robust security measures with no reported hacks or security breaches to date.

In order to trade <u>TECH100/USDT</u> on <u>BTCC</u>, you need to first <u>register</u> an account. And you need to have some USDT in your crypto wallet, or you can directly <u>buy</u> it on BTCC. Once you have USDT, you can trade <u>TECH100USDT Perpetual Contracts</u> on BTCC with a leverage up to 50x. The transaction is safe, cheap, and fast with VERY easy steps.

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What are BTCC's specs?

Sometimes, users feel more comfortable working with an exchange if they know that the exchange

has a footprint in the industry. With 12 years of stable and secure operating history, <u>BTCC</u> is one of the <u>top cryptocurrency derivatives exchanges</u> in CoinMarketCap, which boasts a wide selection of 60+ cryptocurrencies and millions of registered users, offering services in 100+ countries.

BTCC charges 0.06% for both takers and makers, which are way below the industry average. According to the largest and most recent empirical study on crypto exchange trading fees, the average spot trading taker fee is 0.2294% and the maker fee is 0.1854%.

With high liquidity, low trading fees and fast transaction speed, BTCC allows users to open a trade immediately even when the crypto markets experience a sharp rise or plunge.

Apart from crypto trading, BTCC also supports tokenized futures service, allowing users to trade stocks and commodities futures (Gold/Silver) with USDT as the margin. The maximum leverage is up to 100x.

Trading on BTCC begins with <u>registration</u> and log in, which only takes 30 seconds. New customers can now sign up <u>here</u> to get a welcome bonus of 10 USDT, and complete the KYC verification to access all BTCC's features and <u>BTCC bonus</u>. Once verified, you can start <u>trading Nasdag</u> now.

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