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Tesla Stock Split: Is a Big Rally on the Way?

As of August 4th, <u>Tesla (TSLA)</u> had completed its 3-for-1 stock split. Increased demand for a stock, as a result of a split, is typically seen as bullish. Tesla had just gone through its second separation in under two years. Yet, since <u>Tesla</u>'s stock split, share prices have dropped by almost 37%.

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#### **Should You Buy Tesla Stock Split Now?**

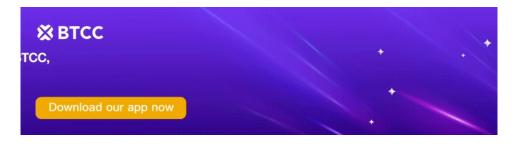
The heck happened? The decline in TSLA stock price is related in part to the overall market volatility. Stocks in automakers have been falling since September as the industry struggles to overcome production and supply chain issues. Weaker demand in China has also hurt Tesla's performance. As production increased rapidly, the electric vehicle manufacturer reduced costs and reinstated an insurance subsidy to stimulate demand in that crucial market.

Obviously, Elon Musk's takeover of Twitter has also affected TSLA shares. Investors are worried that his comments and actions may hurt Tesla's reputation and stock price, according to analysts.

When compared to its high in May 2021, Tesla stock has dropped by over 40% this year. Stock prices are far below their 10- and 40-week moving averages.

New regulations for EV tax credits included in the recently passed Inflation Reduction Act are seen as a boon for Tesla. The 2023 forecast has been revised upward by analysts. Shares of Tesla are projected to earn \$12.29 in 2022, a gain of 81% from 2021. Due to its upward trajectory and recent price appreciation, Tesla stock was included in the IBD 50 list of best growth stocks on August 18.

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#### What is A Stock Split?

The term "stock split" refers to the practice by which a company's existing shares are divided into several new ones. If a business divides its shares 2-for-1, the share price will drop in half but the total number of shares would increase by 1. When the share price of a company has risen significantly, a stock split is a common action taken by the company. The stock's lower price after the split will appeal to a wider audience of investors. This could entice new shareholders who couldn't previously afford to invest. The worth of a firm at the time of a split is irrelevant to its value at the present.

You can reduce the total number of shares in circulation by doing a reverse stock split. In order to keep their shares from being delisted, companies in financial distress will sometimes announce a reverse stock split. A 1-for-2 reverse split would raise the price of a company's stock from \$5 to \$10 per share. If the corporation started with 100 million shares outstanding, that number would fall to 50 million.

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#### **How Do Stock Splits Affect Investment?**

After a stock split, the dollar value of your investment remains the same. Simply said, you'll have a larger shareholding.

The same principle holds if you have a fractional share in a corporation. In the event of a 2-for-1 stock split, an investor who formerly held half a share of the company would now hold one full share. As a result, you would have full ownership of one share of that stock.

What happens if you own dividend-paying stock, like Tesla stock, that you intend to sell? Dividends paid out after a stock split are typically lowered in accordance with the new number of shares outstanding. The overall dividend payout is unaffected by this development.

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### **How Do Stock Splits Affect Options?**

Imagine you have a call option on a stock and then the company announces a split. Just what is going to happen, please?

To ensure that an options contract you hold is unaffected by a stock split, it will be adjusted once the split takes effect. The total value will remain the same even though the price and number of shares

would have changed. The term for this state is "wholeness."

In the case of a 2-for-1 stock split, an option contract covering 100 shares at a \$100 per share strike price would suddenly cover 200 shares at a \$50 per share strike price.

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#### **Stock Splits and Trading Activity**

Stocks in the S&P 500 gained almost 12% on average in the year after their stock splits from 2012 through 2021, according to data from Dow Jones. According to the same data, the rate of stock splits in the S&P 500 has increased in the last few years, reaching its highest point in almost a decade.

There has been a history of excessive stock splitting near market peaks, most notably in 2000, when technology stocks reached their all-time high. In May 1999, for instance, Qualcomm (QCOM) stock split 2:1. In December of 1999, the corporation announced a 4-for-1 stock split. After the announcement of the initial stock split in 1999, QCOM shares increased by more than 840%. The share price reached an all-time high of \$200.00 on January 1, 2000, up from an April 1999 low of \$21.

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#### Can Stock Splits Be a Sell Signal?

As a general rule, stock splits are seen as positive by many investors. There are situations, however, when a rapid succession of stock splits should serve as a red flag telling investors to cash out.

Investors who are willing to pay a premium for quality are drawn to higher-priced securities like Tesla stock. As a result, there may be fewer people interested in purchasing the stock, but there will likely be more "smart money" sponsors willing to invest in it.

In most cases, however, stock splits that occur too soon are not a cause for concern. Initial stock splits can, and frequently do, lead to upward price movement for the stock, especially at the outset of a bull market. Issues arise, however, when businesses implement many large splits within a short time frame (less than two years), such as a 2-for-1 and a 3-for-1. Investors in Tesla should be aware that a 5-to-1 stock split was approved by shareholders in August of 2020.

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#### **Conclusion**

When a stock, like Tesla shares, undergoes a split, it becomes much more affordable for investors to purchase what was once a more expensive stock. However, a stock split is never a reason to purchase a stock. Invest in firms with strong fundamentals and a track record of leading price performance within their industry group. Do your homework, monitor stock charts, and buy when the timing is perfect.

Consider looking into IBD's stock trading platform if you're just getting started with the platform. Among the several growth stock lists provided by IBD are the Leaderboard and the SwingTrader.

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#### Where to Trade TSLA Futures?

Now you can trade TSLA futures on <u>BTCC</u>. <u>BTCC</u>, a <u>cryptocurrency exchange</u> situated in Europe, was founded in June 2011 with the goal of making crypto trading reliable and accessible to everyone. BTCC is a crypto exchange offering users liquid and low-fee futures trading of both cryptocurrencies and tokenized traditional financial instruments like stocks and commodities.

### **Tokenized Futures - Contract specifications**

Product	Trading hours (UTC+0)		Leverage	Tick Size	Min. Lot	Liquidation
	Summer time	Winter time	Leverage	TICK SIZE	Size	Level
GOLDUSDT (Gold)	<u>Trading hours</u> 23:00 on Sunday - 21:45 on Friday	<u>Trading hours</u> 22:00 on Sunday - 20:45 on Friday	150x	0.01	1	30%
SILVERUSDT (Silver)	<u>Daily break</u> Every day 22:00 - 23:00	<u>Daily break</u> Every day 21:00 - 22:00	150x	0.001	100	
AAPLUSDT (Apple)	Trading hours 14:30 - 21:00 Every day from Monday to Friday	Trading hours 13:30 - 20:00 Every day from Monday to Friday	50x	0.01	1	
TSLAUSDT (Tesla)			50x	0.01	1	
METAUSDT (Meta)			50x	0.01	1	
TSMUSDT (Taiwan Semiconductor Manufacturing Company Limited)			50x	0.01	1	
MSFTUSDT (Microsoft)			50x	0.01	1	

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#### Why Trade TSLA Futures on BTCC



To trade tokenized futures, you can choose BTCC crypto exchange. BTCC, a cryptocurrency exchange situated in Europe, was founded in June 2011 with the goal of making crypto trading reliable and accessible to everyone. Over 11 years of providing crypto futures trading services. 0 security incidents. Market-leading liquidity.

Traders may opt to trade on BTCC for a variety of reasons:

- **Secure:** safe and secure operating history of 11 years. Safeguarding users' assets with multirisk management through the ups and downs of many market cycles
- **Top Liquidity:** With BTCC's market-leading liquidity, users can place orders of any amount—whAVAXer it's as small as 0.01 BTC or as large as 50 BTC—instantly on our platform.
- Innovative: Trade a wide variety of derivative products including perpetual futures and tokenized USDT-margined stocks and commodities futures, which are innovative products invented by BTCC.
- **Flexible:** Select your desired leverage from 1x to 150x. Go long or short on your favourite products with the leverage you want.

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