Finance (Basic)

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Investment

An investment is a specific activity leading to acquisition of **assets**, that ensure its owner a flow of income. This cash flow can also be negative. Related to saving…

An asset is anything that has any measurable value.

What is not an investment: …

Arbitrage: …

Types of assets

- Tangible *(Buildings, land, cars…)*

- Intangible *(Know-how,…)*

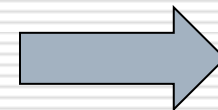- **<u>Financial</u>** *(Cash, Deposits, **Equity s., Debt s.,** Derivative contracts, Forex)*

Equity securities

How to choose the right stock?

- FA
- TA
- BA

Fundamental Analysis

Short run: Intrinsic value ≠ market value

Long-term: Intrinsic value = market value

Steps of FA:

- *Economic analysis*
- *Industry analysis*
- *Company analysis*

Technical Analysis

❏ The value of a company or security doesn't matter.

❏ The goal is to find out the **trends** in the market.

Behavioral Analysis

- ❑ Useful to use in times when financial markets behave irrationally.

- ❑ Investors sometimes fail in to extreme optimism/pessimism (the news are overestimated).
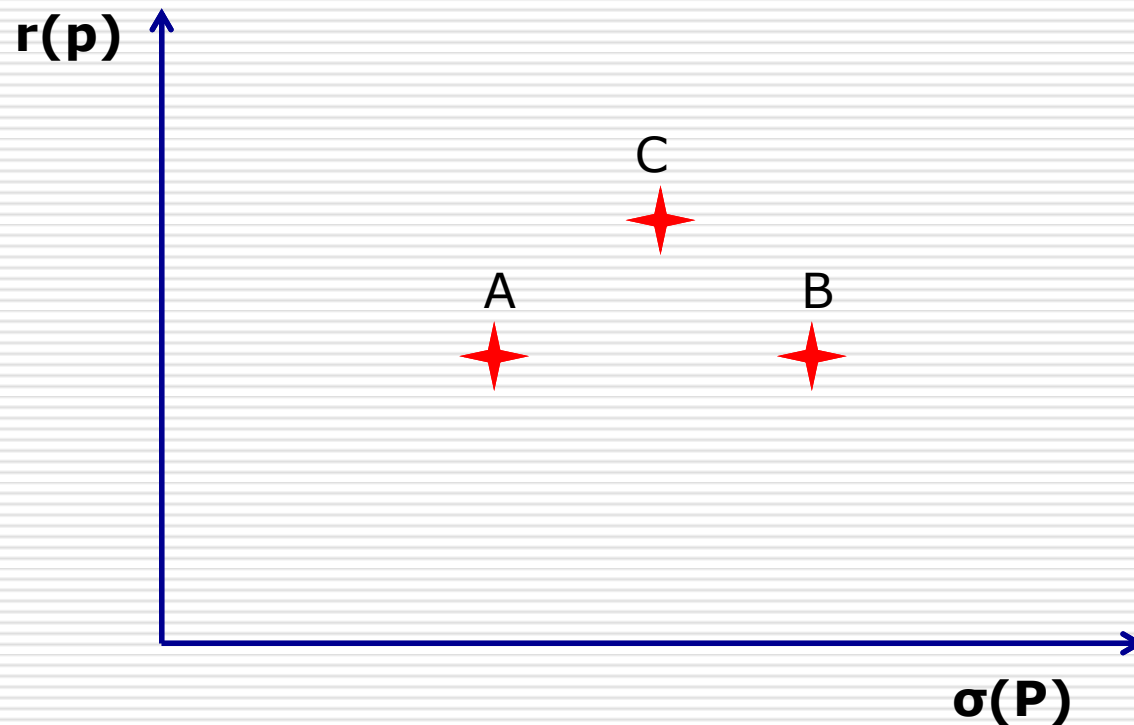
Behavioral Analysis

Choose the better option:

You invest $ 300.00

1. You have 30% probability to gain $ 1,000.00.
2. You have 70% probability to lose your investment.

Portfolio management

r(p)

EPF, CML,CAPM

ELTON/GRUBER; *MODERN Portfolio Theory and Investment Analysis*

C

A   B

σ(P)

Bonds

Plain Vanilla

Price

Ytm, Forward rate

Coupon

Accrued interest

Zero bond

Duration (Macaulay, Modified, Dollar)

Convexity

BLACKE D.; *Financial Market Analysis*

Thank you for your attention