

### Chapter Assignments:

Page 275-276: What's on the Web?: *Optional*: Problems 1, 2, 3, 4

*Optional*: Go to <http://www.stockmarketmentor.com> (or any of dozens and dozens of technical analysis web sites) and look at some of their free "Charts of the Week" – (*Do not sign up as a sucker... uh, I mean, member!*)

**Optional Technical Analysis Bonus Assignment:** (10 points – see below)

**Due: TueThur Apr 19<sup>th</sup>; Online Apr 21<sup>st</sup>**

### Chapter Sections:

Introduction to Behavioral Finance

Prospect Theory

Overconfidence

Misperceiving Randomness and Overreacting to Chance Events

Sentiment-Based Risks and Limits to Arbitrage

Technical Analysis

### Chapter Terms:

behavioral finance

common investor weaknesses and failings

    reading too much into the recent past

    misperceiving randomness

    being overconfident

    selling your winners and hanging on to your losers

fundamental analysis *versus* technical analysis

technical analysis

market prices

The Dow Theory

relative strength

market volume

breadth of the market: the advance/decline ratio

the "tick" (up tick, down tick)

short interest

odd-lot trading

contrarian opinion

charting: hi-lo-close and candlestick charts, resistance & support levels, breakouts, head and shoulders, triangles, flag and pennant, cup and saucer

registered representative (a.k.a. stockbroker, financial representative, account executive)

### Optional Technical Analysis Bonus Assignment:

Go to [finance.yahoo.com](http://finance.yahoo.com) (or any of the dozens of other sites that offer charting and technical analysis) and lookup Google (GOOG). Click on the *Basic Tech. Analysis* link on the left side of the page. Choose a 5-year chart (Range: 5y) and then add the 50-day and 200-day moving averages (Moving Avg: 50 200). In February/March of 2008, the 50-day moving average went below the 200-day moving average. Was this a good time to sell? In May of 2009, the 50-day moving average went above the 200-day moving average. Was this a good time to buy? What happened in June of 2010 and November of 2010 when the 50-day moving average went below (June 2010) and then above (November 2010) the 200-day moving average? Were any of these crossing points useful indicators of whether it was time to buy or sell? Discuss the current relationship (March 2012) of the two moving averages. What would you do now? Comment on whether or not the stock is a buy, sell, or neutral. Do the same for a different stock of your choice. (Suggestion: Coca-Cola, KO)

*(Remember: With technical analysis, you do not have to actually know what you are doing. You just have to convince others that you know what you are doing! So do your best to convince me that you know what you are doing even though you don't.)*