

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 April 11th; Online April 13th

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 (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 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 May 2010, November 2010, April 2011, November 2011 when the 50-day moving average went below (May 2010), then above (November 2010), then below (April 2011), and then above (November 2011) the 200-day moving average? Were any of these crossing points useful indicators of whether it was time to buy or sell? What happened in June and August of 2012 when the 50-day went below and then above the 200-day? What about the past few months? What would you do now? Comment on whether the stock is a buy, sell, or neutral. Do the same for a stock of your choice. (Other suggested stocks: KO, SBUX, COST, ABT, IP)

(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. P.S. Since I don't know what I am doing when it comes to technical analysis, either, it should be easy to convince me!)