

Week #9 – The Last Two Weeks on Stocks – Chapters 17 and 7 – Chapter #8 Next Week

Welcome to week #9, the midpoint of the semester. Many thanks to all of you who submitted the chapter 5 assignments on stocks. Did you enjoy the two assignments? Or did you find that they resembled boring, busy work? It is my hope that doing this simple research piqued your interest about certain companies and led you to do even more research about them and their competitors. You can state your opinions via direct e-mail to me or, better yet, post a comment (anonymously, if you want) on the stock discussion forum. ***You can always submit late assignments!*** There will be a penalty but it will help your grade. More importantly, the assignments are meant to bring the so-called “real world” of investing into the class. Please tell me if you think that they are doing what they were intended to do.

We are in the home stretch on stocks. After you finish exam #2 (if you have done so yet), please get to work immediately on chapter 17, Financial Statements and Ratio Analysis, and chapter 7, Stock Price Behavior and Market Efficiency. They are much easier than the previous chapters on common stock investments. In fact, there is a bit of downright silliness in some of the chapter 7 material. So take a little break after the second exam, take a deep breath, and get started. (Preview: Chapter 8 contains even more silliness!)

Speaking of exams, how did you do on the second exam? Well, if you did not perform up to your expectations, guess what? You will have an opportunity to redeem yourself! How? Exam #3 will be in two weeks and it will contain many of the same questions as exam #2. Why? Because we want you to be thoroughly immersed in stocks and know this material so well that you will be able to recite it in your sleep! That may sound silly or absurd but that is our goal for you. It is certainly what you need to do before you take the Series 7 Stockbroker exam! So whether or not you did particularly well with the chapters 5 and 6 material, go back and review it again as you study the new stock material. Repetition is the key to successful learning!

As with exam #2, exam #3 will be in two parts. The first part will be an online portion with multiple choice and true-false questions and will be available via Blackboard. It will contain material from chapters 17, 7, and 8, but will also review much of the material from chapter 5. (Ya’ just gots’ to know this stuff, Folks!) The second portion will be an off-line portion which will contain the calculations from chapter 17 (financial ratio analysis) and review a couple of calculations from chapter 6. (*Hint, hint! Nudge, nudge! Wink, wink!* If I were a student taking the exam, I would make sure that I could do a Constant Perpetual Growth Model problem and Discounted Cash Flow Model problem, in that order.) There have been zero questions about present value and dividend discounting and price ratio models in the discussion forums. So can I assume everyone understands chapter 6 perfectly? Hmmm? (Yeah, right!) Please post your questions, comments, observations, etc. about chapter 6 and stocks in general in *The Stock Steakhouse* discussion forum.

Don’t Give Up! ***Never*** Give Up!

Sincerely,

Frank Paiano

P.S. After taking exam #2, this week you need to cover chapter 17 (financial statements and ratio analysis) and chapter 7 (stock price behavior). Next week, we will cover chapter 8 (behavioral finance, the psychology of investing, and technical analysis) and exam #3 will be in two weeks.