

Week #11 – Exam #3 – Finishing Stocks – Next Week is Introduction to Bonds (Yawn...)

Hello, Everyone! I hope everyone had a Great Spring Break! Were you able to get some studying in? I hope so because we are ready to see you all shine brightly on exam #3! Please see the announcement for week #10 for more detail on exam #3. To review, it will cover chapters 17 on financial ratio analysis, chapter 7 on market efficiency and chapter 8 on behavioral finance and technical analysis. It will also include review material from chapter 5 on the introduction to stocks. The calculations portion will contain calculations from chapters 17 and 6. Make sure you can do the worksheets, especially the Constant Perpetual Growth Model and the Discounted Cash Flow Model.

After exam #3, we will be officially done with stocks and will be ready to start studying about bonds. All the material for the first section on the Introduction to Bonds (chapters 9, 18, 19, and 20) is available on the class web page. In my humble opinion, the text book covers bonds in far more detail than is necessary, especially chapters 18, 19, and 20. As you will see, bonds are, well, um, they are kinda' ... How shall we say this gently? Okay, let's just be honest, ***Bonds Are BORING!*** They will seem especially boring and stodgy and stilted after we have just finished with stocks, which are exciting and sexy and juicy (and much more risky!). If you find yourself falling asleep as you read the chapters on bonds (and you just might), try to focus on the important concepts that are covered in the presentations. Hey, at the very least, you can always go back to the chapters on bonds in the book when you have insomnia and can not get to sleep at night.

In two weeks we will cover chapter 10, Bond Yields and Pricing, and chapter 18, Preferred Stock and Convertible Securities (a.k.a. hybrid securities). Chapter 10 involves some calculations, at least one of which should look vaguely familiar. (And you thought that you would never have to do any more present value calculations, didn't you?! Ha, ha! Perish the thought! If there is one thing you will know how to do by the end of this semester, it will be how to compute the present value of a series of future cash flows, a.k.a. discounting.)

Remember that there is a text book in the library that you can read in the library. And lastly, you can always submit your assignments, even if they are late.

Don't Give Up! ***Never*** Give Up!

Sincerely,

Frank Paiano

P.S. Exam #3 is this week, Everyone! Please bring honor and glory to Southwestern College! After exam #3, we get started working on (yawn...) bonds.