

**Assignments:**

**Required:** See *The Stock Markets Research Assignment* (10 points)

**Required:** See *Earnings Calls Assignment* (10 points)

**Due: Tue/Thu Mar 13<sup>th</sup>, Online: Mar 15<sup>th</sup>**

**Lecture Note Terms:**

“equities” – “equity capital” – common stock (shareholders in common) – ownership in a public corporation

dividends & capital gains

limited liability

historical performance

“volatility” (a.k.a. risky!, “I lost a lot o’ money!”)

primary market *versus* secondary market

initial public offering (IPO) – “going public” – (a.k.a. It’s Probably Overpriced, Imaginary Profits Only)

stock exchanges *versus* over-the-counter markets; brokers *versus* dealers (a.k.a. market makers)

bull market *versus* bear market

transactions: market order, limit order, stop (a.k.a. stop-loss), stop-limit

margin accounts

selling short

transaction costs

round lot *versus* odd lot – odd-lot differential

stock quotes – finance.yahoo.com, www.bloomberg.com, www.marketwatch.com, etc.

stock indexes: Dow Jones Industrial Average, Standards & Poor’s 500 Composite, NASDAQ Composite,

Russell 2000, Dow Jones US Total Stock Market Index (nee Dow Jones Wilshire 5000 – a.k.a. *total market*)

Dow Jones US Completion Total Stock Market Index (nee Dow Jones Wilshire 4500 – a.k.a. *extended market*)

MSCI World (global index, being replaced by MSCI All Country World),

MSCI EAFE (international index, being replaced by MSCI All Country World ex-USA)

stock spin-off

stock split

treasury stock

classifications of common stock: A, B, C, etc.

par value, book value, market value

earnings per share (a.k.a. EPS)

dividends, dividend payout ratio, dividend yield

declaration date, date of record, ex-dividend date, payment date (Old dumb saying “Don’t buy the dividend.” Ignore it.)

cash dividends *versus* stock dividends (Understand the difference between the two. It will be on the exam!)

DRIPs – Dividend Reinvestment Plans (Great way to build a low-cost, high-quality portfolio of stocks.)

price to earnings ratio (a.k.a. P/E, PE) (We will revisit P/E and other numeric measures in depth in the next two chapters)

blue-chip stock

income stock

growth stock

cyclical stock

defensive stock

turnaround stock

asset play stock

foreign stock

capitalization: penny stock, micro cap, small cap, mid cap, large cap, mega cap

long-term investment strategies: buy and hold (a.k.a. value, GARP), income, growth

short-term investment strategies: aggressive growth, speculation, momentum

other investment strategies: sector rotation, market-timing, contrarian

*Please concentrate on the lecture notes terms and concepts on this page. This information is also in chapters 5 and 2 but the book covers material in depth that I believe is either not that important for most investors (IPOs) or is better suited for later in the course (shorting & margining).*

*Please learn these major indices. There are many, many others.*

*You will use these major stock types for the Stock Markets Research Assignment.*

**Assignments:**

see other side of page

**Chapter 5 Sections:**

Private Equity versus Selling Securities to the Public  
The New York Stock Exchange, Operation of the New York Stock Exchange  
NASDAQ  
NYSE and NASDAQ Competitors  
Stock Market Information

**Chapter Terms:**

primary market *versus* secondary market  
Initial Public Offering (IPO) – “going public”  
investment banking firms and underwriting  
fixed commitment *versus* best effort  
Securities and Exchange Commission (SEC)  
prospectus, red herring  
dealer *versus* broker  
bid price *versus* ask price – the spread, inside quotes  
commission broker, specialist, floor broker, the *SuperDOT* system (Now called the *Super Display Book* system)  
market order  
limit order  
stop order – stop-limit order *versus* stop-loss order  
NYSE – New York Stock Exchange (a.k.a. the Big Board)  
AMEX – American Exchange (a.k.a. the Curb) – (Now called the **NYSE Mkt – Bye, Bye, AMEX!**)  
Regional exchanges – Philadelphia, Denver, Pacific, etc.  
Over-the-counter (OTC) markets  
NASDAQ – National Association of Securities Dealers Quotation System (The full name is no longer used)  
Bulletin Board, Pink Sheets (*Stay far away!* a.k.a. *The wrong side of the tracks. The seedy part of town. The red-light district.*)  
Electronic Communications Networks (ECNs)  
Third market *and* Fourth market  
indexes (a.k.a. indices): price-weighted index *versus* market-weighted index (a.k.a. value-weighted index)

*Chapter 5 covers the Initial Public Offering process in far more detail than is necessary for “small” retail investors (such as most of us). If you take the Series 7, you will need to know this material thoroughly. I will not ask you anything other than what is in the presentation regarding IPOs.*

**Chapter 2 Sections:**

The Investment Policy Statement  
Investment Professionals  
Types of Accounts, Types of Positions  
Forming an Investment Portfolio

**Chapter Terms:**

Security Investors Protection Corporation – SIPC  
cash account *versus* margin account (more about margin accounts at the end of the semester)  
call money rate  
margin, initial margin, maintenance margin, margin call (more about margin accounts at the end of the semester)  
effective annual return (EAR)  
hypothecation (using your stocks as collateral so that you can borrow from the brokerage firm)  
street name *versus* stock certificate (only ask for stock certificates if you are the type to keep your cash under your mattress)  
short sale, short interest (more about shorting stocks at the end of the semester)  
market timing, asset allocation, and stock selection (more about asset allocation and stock selection in later chapters)

*Only read Chapter 2 if you have plenty of extra time and interest. I strongly disagree that this chapter should be the second chapter in an Introduction to Investments class. We will discuss brokerage firms, margin accounts, and shorting in detail at the end of the semester.*