

Week #11 – After Exam #3 – Introduction to Bonds (Yawn...)

Hello, Everyone! How did you do on exam #3? I hope everybody did great! The grades should be posted soon. Check the class web page. We are officially done with stocks and are ready to cover 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't get to sleep at night.

Next week 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! 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 are two text books on reserve in the Southwestern College library that you can read in the library. And lastly, you can always submit your assignments, even if they are late. It is my firm belief that the assignments will help you be a better investor in the future. But as we have said time and time again, there are no guarantees. (That is called a disclaimer, Folks. The lawyers told us to include it. Darn lawyers!)

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

Sincerely,

Frank Paiano

P.S. Please get started working on (*yawn...*) bonds.