

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, client!*)

Optional Technical Analysis Bonus Assignment: (10 points – see below)

Due: TueThur Apr 16th; Online Apr 18th

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

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 research Ford (F). On the left side of the page, under **CHARTS**, click on the ***Interactive*** link. Choose a 2-year chart (2y) and then add the 50-day and 200-day moving averages (+Indicator +Simple Moving Average 50 and 200). On January 31, 2014, the 50-day moving average went below the 200-day moving average. Was this a good time to sell or was it too late? On June 25, 2014, the 50-day moving average went above the 200-day moving average. Was this a good time to buy? What happened on October 17, 2014, when the 50-day moving average again went below the 200-day moving average? Would you have sold in sufficient time to avoid the large drop in the price of the stock? What about the past few weeks? 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, 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. Since I also don't know what I am doing when it comes to technical analysis, it will be easy to convince me! Who knows? You may find that you are good at convincing others that you know you are doing, even though you don't. And if this is true, you can make a whole lot of money! Good luck!)*