

**Assignments:**

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

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

**Due: TuesThurs March 7<sup>th</sup>; Online March 9<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).*

**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

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

*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.*

**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)

street name *versus* stock certificate

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)