

# Finance (Basic)

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# Investment

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An investment is a specific activity leading to acquisition of **assets**, that ensure its owner a flow of income. This cash flow can also be negative. Related to saving...

An asset is anything that has any measurable value.

What is not an investment: ...

Arbitrage: ...

# Types of assets

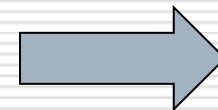
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- Tangible (*Buildings, land, cars...*)
- Intangible (*Know-how,...*)
- **Financial** (*Cash, Deposits, **Equity s.**, **Debt s.**, Derivative contracts, Forex*)

# Equity securities

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How to choose the right stock?



- FA
- TA
- BA

# Fundamental Analysis

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Short run: Intrinsic value  $\neq$  market value

Long-term: Intrinsic value = market value

## Steps of FA:

- Economic analysis*
- Industry analysis*
- Company analysis*

# Technical Analysis

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- ❑ The value of a company or security doesn't matter.
- ❑ The goal is to find out the **trends** in the market.

# Behavioral Analysis

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- ❑ Useful to use in times when financial markets behave irrationally.
- ❑ Investors sometimes fail in to extreme optimism/pessimism (the news are overestimated).

# Behavioral Analysis

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Choose the better option:

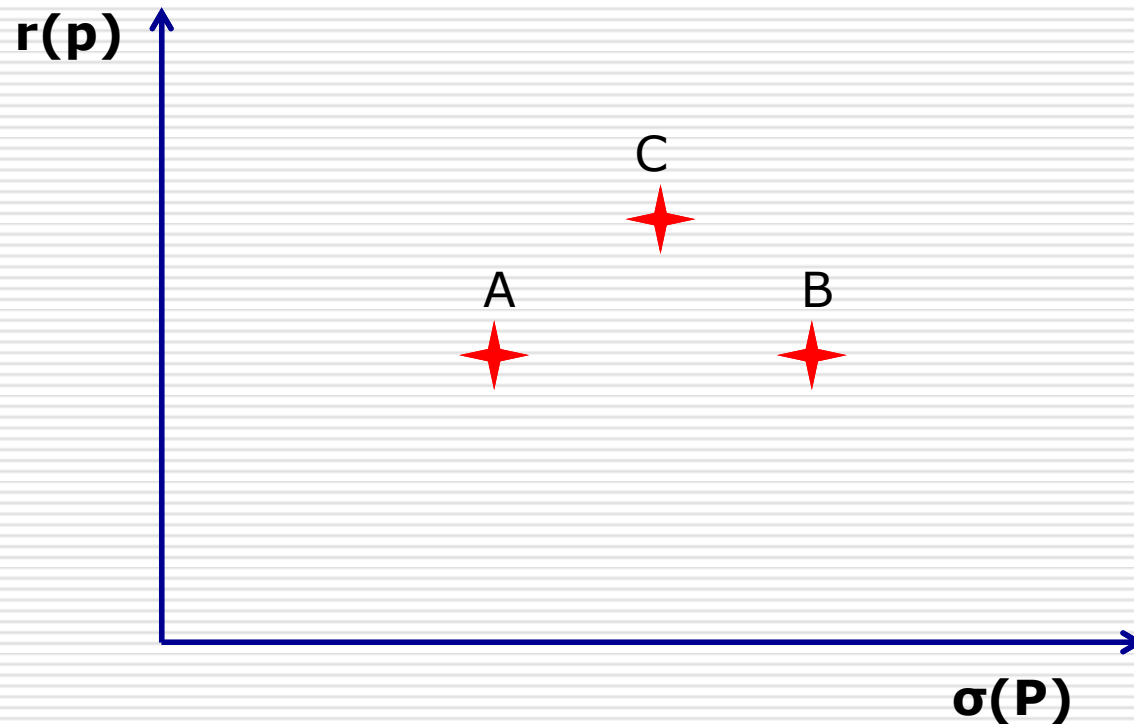
You invest \$ 300.00

1. You have 30% probability to gain \$ 1,000.00.
2. You have 70% probability to lose your investment.



# Portfolio management

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EPF, CML, CAPM

ELTON/GRUBER; *MODERN  
Portfolio Theory and  
Investment Analysis*

# Bonds

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Plain Vanilla

BLACKE D.; *Financial Market  
Analysis*

Price

Ytm, Forward rate

Coupon

Accrued interest

Zero bond

Duration (Macaulay, Modified, Dollar)

Convexity

Thank you for your attention

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