

# 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*)

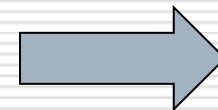
# Equity securities

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How to choose the right stock?



0.1123	1.1601	-	1.98%	↓	0.186
0.118	1.662	+	0.16%	↑	11.600
1.121	0.1201	+	0.10%	↑	N/A
20.232	1.0233	-	1.53%	↓	10.201
0.186	1.1611	+	1.15%	↑	13.203
1.1601	0.1602	-	0.87%	↓	N/A
1.662	0.105	-	0.71%	↓	20.160
0.1201	1.1602	+	0.71%	↑	N/A
1.0233	1.1577	+	1.12%	↑	1.662
1.1611	0.105	+	3.23%	↑	10.201
0.1602	0.105	-	2.69%	↓	0.873
0.1602	0.118	+	1.10%	↑	1.123
0.105	0.118	+	1.10%	↑	N/A
31.200	1.121	-	1.90%	↓	20.232



- 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:

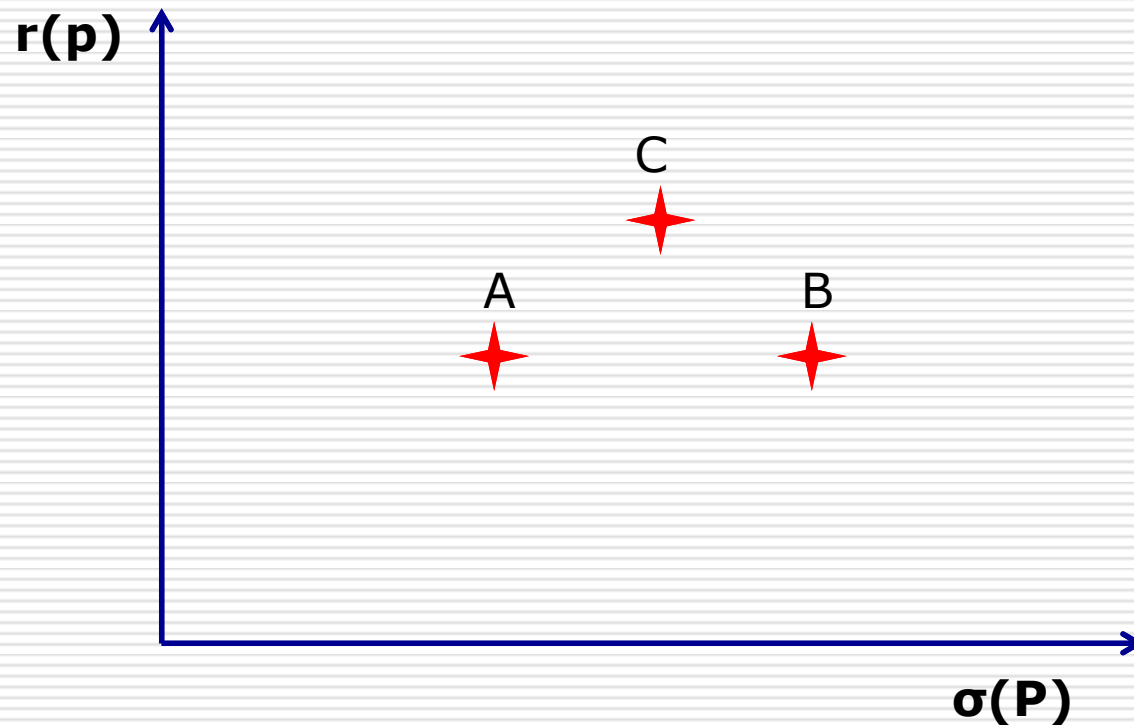
You invest \$ 300.00

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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