

Finance

Key Questions

- **What makes stock prices change over time?**
- **Why are some stock prices higher than others?**
- **What might happen if you own an undervalued (overvalued) stock?**

Who is to blame?

- **Based on your answer to the previous question**
- **Discuss with one person and post your reasoning. (Pulsepress)**

IMPLICATIONS?

Storm will keep financial markets closed Tuesday

By AP | October 29, 2012

- **NEW YORK (AP) —** Stock trading will be closed in the U.S. for a second day Tuesday as Hurricane Sandy bears down on the East Coast. Bond trading will also be closed.
- **The last time the New York Stock Exchange was closed for weather was in 1985 because of Hurricane Gloria, and it will be the first time since 1888 that the exchange will have been closed for two consecutive days because of weather.**

Math problems in the land of Pythagoras

As it turned out, what the Greeks wanted to do, once the lights went out and they were alone in the dark with a pile of borrowed money, was turn their government into a piñata stuffed with fantastic sums and give as many citizens as possible a whack at it. In just the past 12 years the wage bill of the Greek public sector has doubled, in real terms - and that number doesn't take into account the bribes collected by public officials. The av-

erage government job pays almost three times the average private-sector job. The national railroad has annual revenues of 100 million euros against an annual wage bill of 400 million, plus 300 million euros in other expenses. The average state railroad employee earns 65,000 euros a year. Twenty years ago, a

Math problems in the land

of Pythagoras

“

Twenty years ago, a successful businessman turned minister of finance named Stefanos Manos pointed out that it would be cheaper to put all Greece's rail passengers into taxicabs: It's still true.

Stock Price

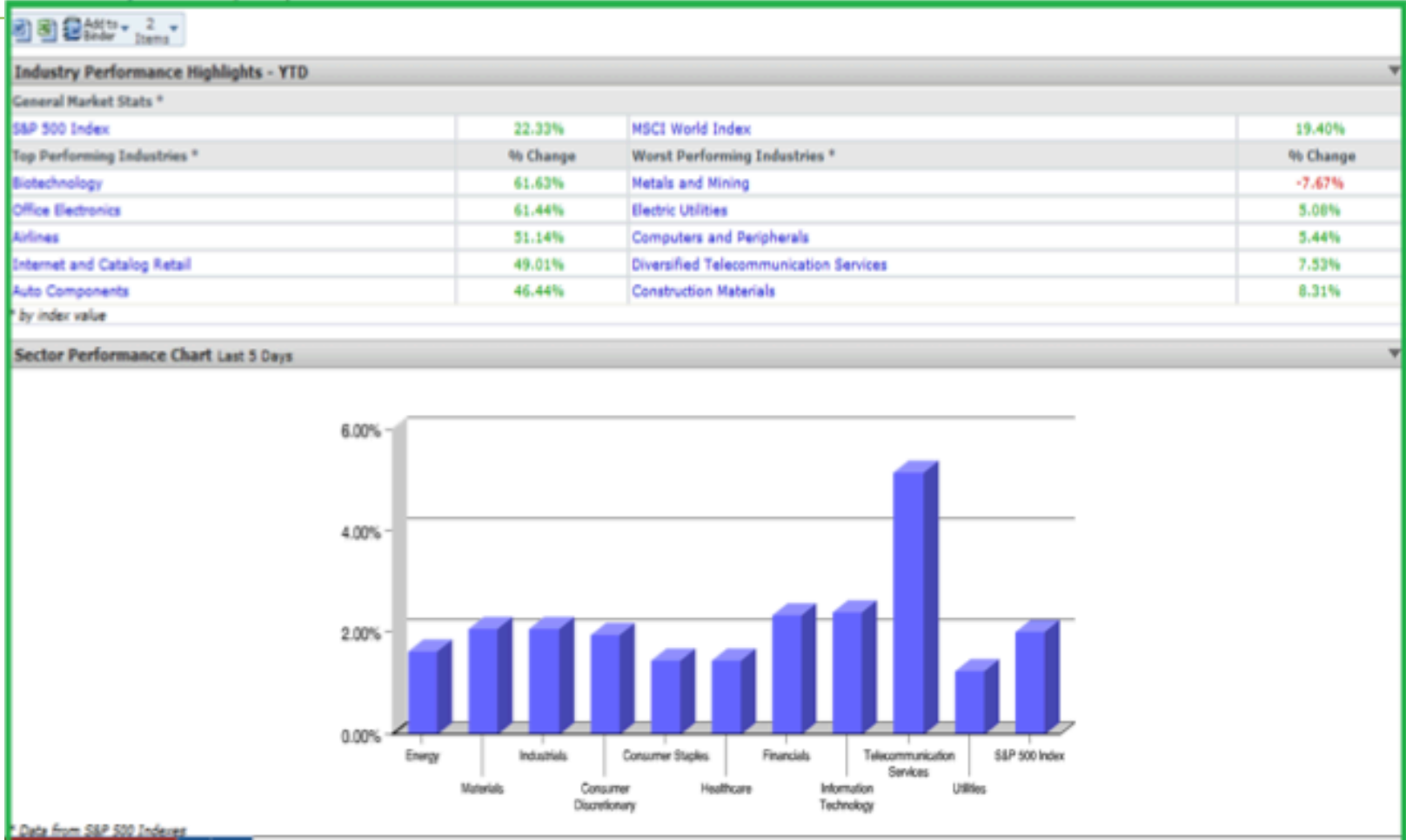


Earnings

- **What is PMF**
- **What do you do?**
- **Why did you choose to join?**
- **Can you show us what you do?**

- Finance applies basic economic principles to study the supply and demand of capital
- Broadly speaking, there are three types of agents to consider:
 - **Investors** who have excess wealth they wish to save;
 - **Corporations** and other **agencies** (e.g. governments) who require funds for projects they'd like to undertake;
 - **Intermediaries** (e.g. banks) who facilitate the matching of suppliers of capital (Investors) with the demanders (Corporations).

MARKET ANALYSIS Industry Analysis



- **IPO**
- **Public versus private**
- **Accounting figures & “Earnings”**
- **SEC**
- **EBITA**
- **P/E ratio (multiple)**
- **Risk → Money Markets → Capital Markets**

- **In finance, it is important to consider the perspectives of each of these agents.**
 1. How do **investors** decide among safe and risky savings opportunities?
 2. How do **corporations** decide among various investment opportunities?
 3. Who are the **intermediaries** and how do they assist in the savings and investment decisions?

Take a couple of minutes to write down the key things that you've learnt in this class.

- -
- -
- -
- -