

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

s it turned out, what the Greeks wanted to do, once the lights went out and they wen 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-

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.



P/E Ratio

Stock Price

Earnings



PMF: Beverley, Piper, Derek

What is PMF

What do you do?

- Why did you choose to join?
- Can you show us what you do?



Overview

- 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).



CAPITAL IQ

market Analysis industry Analysis ☑ ☑ ②Addts - 2 -Industry Performance Highlights - YTD Ceneral Harket Stats * S&P 500 Index 22.33% MSCI World Index 19.40% Top Performing Industries * Worst Performing Industries * 96 Change % Change Biotechnology 61.63% -7.67% Metals and Mining Office Electronics 61.44% **Electric Utilities** 5.08% Airlines 51.14% Computers and Peripherals 5.44% Internet and Catalog Retail 49.01% Diversified Telecommunication Services 7.53% Auto Components 46.44% Construction Materials 8.31% by index value Sector Performance Chart Last 5 Days 6.00% 4.00% 2.00% 0.00% S&P 500 Index Industrials Consumer Staples **Financials** Telecommunication Energy Services Materials Consumer Healthcare Information Utilities Technology Discretionary Data from S&P 500 Indexes



Terms & Tools

- 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?



Reflections & Takeaways

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

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