COURSE DESCRIPTION

From basic examination of a company’s balance sheet to analysis of its stock price, from debt instruments to derivatives, from hedge funds to private equity funds, this course will place you well on the path toward becoming a modern investment analyst. And you will love it.

You will learn the jargon of the marketplace and how things are actually done. So, it should be a nice combination of academic and practical learning.

The topics are many and varied. I'll try to get to as many as possible, but highly unlikely to all. Attendance is crucial, because each topic builds upon the last. I don’t formally take attendance, but it would be silly to miss a class. Exams are based on the class lectures.

I’ll speak about the book and other resources during the first class, but the course does not revolve around a book. I will post documents on Blackboard. Always check on Blackboard for new documents, as well as announcements concerning the class.

I’ll assume you understand and can perform time value of money calculations, know what a stock is, have a basic understanding of balance sheets plus a minimal knowledge of macro-economics. If not, speak up! If necessary, I’m happy to review any topic before we go on to something that requires it.

Bring a calculator to class. If you don’t have one, you’re not involved.

Grading

Your course grade will be based upon:

- Exams. There will probably be three, evenly spaced, cumulative tests. Their respective contributions to the final grade are proportional to how much of the course has transpired by then.

- Class involvement. Questions are very welcome. (So are answers.) No cell phones or laptops in class. You lose half a point from your total grade every time you use one, whether I notice or not.

- Wall Street journal. Read the WSJ. Not necessarily every day, and not just the sports. You will score points by connecting an event in the markets — there is always something — with the topic of the lecture and mentioning it in class.
Homework. III assign homeworks to be collected, they will be graded and be part of your final grade. Of course, you should do all the homeworks — even those that are not to be collected. How else will you expect to retain the material?

**Progression of Topics**

0
Ethics in finance: conflict of interest; inside Information; fiduciary responsibility
The company waterfall;” common shareholders and residuals; preferred shares; lenders and other outsiders; role of government; retained earnings and investment

II
Macro-economic background; the Federal Reserve

III
Income statements, balance sheets and financial ratios

IV
Valuation: book vs. market value; dividend discount models; p-e multiples; enterprise value; effect of inflation

V
How the stock market reacts to the economy’s dynamics

VI
Mergers; buy-outs, spin-oils and carve-outs; goodwill; share buy-backs

VII
Portfolio management styles: growth vs. value; small, mid & large capitalization; income producing quantities strategies; momentum and market efficiency; screening; a stock’s “beta”

VIII
Stock indices; passive management & indexing

IX
Trading Dynamics. Rate-of-return calculations; leverage and financing; margin and margin calls; shorting stocks; securities lending by investors

X
Market neutral positions; relative value trading; hedge fund activities

XI
Mutual funds

XII
Derivatives. Brief survey of forwards, futures, index futures and equity swaps; marking-to-market; delta

XIII
The new world of ETFs
XIV
Debt instruments. Treasury bonds; interest rates vs. yield-to-maturity; basics of bond math and bond risk; interest rate swaps

XV
Corporate bonds; credit spreads and credit risk; high grade vs. high yield; collateral and callability; credit default swaps; introduction to asset-backed securities

XVI
Money market instruments; LIBOR. floating rate notes

International Investing: foreign exchange risk; multi-national enterprises; emerging markets

XVIII
Alternatives: private equity; venture capital; leveraged buy-outs; real estate investment trusts; M&A; master limited partnerships; commodities