

Economics 98/198

Introduction to Stocks

Student Coordinator: Jason Lee (jlee3@berkeley.edu)
Sponsoring Professor: Kenneth Train
Class Website: www.ocf.berkeley.edu/~jml/decal
Lectures: Tuesday. 630 – 8 M
Classroom: 110 Barrows
Office Hours: TBA

Course Objective: *Providing a detailed analysis of the stock markets, “Introduction to Stocks” will offer students of all majors and educational levels an alternative to the conventional finance class. This course aims to help students build the ability and knowledge to make their own decisions with their personal finances, particularly focusing on investing in stocks. Throughout the semester, students will get a basic introduction to stocks as well as learning practical applications of how to invest. By the end of the course, students will not only know how to start investing on their own, but also more importantly, know how to analyze stocks and the market itself.*

Prerequisites: An interest in or curiosity about the stock market.

Required Texts: **How to Make Money in the Stock Market, 3rd edition**, William O’Neil
(Available on Amazon.com for \$10.50)

Recommended Reading

- **Investor’s Business Daily**
- www.investors.com (Investor’s Corner & Learning Center)
- www.investopedia.com
- www.fool.com

Attendance: **Attendance** will make up an essential part of your grade! Students will be allowed 2 absences in order to pass.

- Your **participation is required**, not only to make the class more exciting, but to enhance both your learning experience, as well as others’. If you do not plan to participate or want to take this course just for the units, drop the course immediately.
- If you miss a class for any type of emergency, please contact the student coordinator in advance.

Projects

- The paper will be assigned in the 5th week. The topic will be – “Why invest in stocks?” It will be 1-2 pages double spaced.
- The presentation project will be assigned in the 10th week of class. Students will collaborate in groups and present stocks they have researched using everything that they have learned throughout the semester.
- Stock Market Simulation (this is just a learn experience to have fun with)

Grading: 1 unit, **P/NP** (65% is a passing grade, but you **MUST** do the projects to pass).

Participation (including attendance and homework)	50%
Presentation	20%
Paper (Individual)	20%
Quizzes	10%

- Quizzes will be a short 10 question multiple choice test.

Semester Agenda:

- Week 1** **Overview of the Course:**
Introductions
Why the stock market and why invest anyways?
Homework: Introduction / Cover Letter (typed)
Why do you want to do this course? Why should you be in this course? Related experiences or interests?
- Week 2** **Basics of Investing**
Types of stocks, Indices, exchanges, bear & bull markets, brokerage accounts, setting up an account, different types of orders
Stock Market Simulation begins
Reading:
Motley Fool's Investing Basics "Picking a Broker"
[<http://www.fool.com/school/basics/basics07.htm>]
Motley Fool's Investing Basics "Stocks"
[<http://www.fool.com/school/basics/basics03.htm>]
- Week 3** **Basics of Investing II**
Introductory concepts: margin, shorting, stock splits, earnings, ratios, market cap, dividends, stock market psychology
Reading:
"How Dividends Work for Investors." Aug 19, 2005
[<http://www.investopedia.com/articles/02/010902.asp>]
HTMS –pgs 48-54
Optional Reading – HTMS – Chapter 8
- Week 4** **Fundamental Analysis / Investment Strategies**
Current Quarterly Earnings per share
Annual Earnings
New product, management etc.
Reading: HTMS – Chapters 1-3
- Week 5** **Fundamental Analysis / Investment Strategies (II)**
Supply and Demand
Leader in the industry and sector
Institutional Support
Quiz #1: Basics of Investing
Homework: Try to find 1 or 2 companies that you think are good investments and explain why using concepts from lecture
Reading: HTMS - Chapters 4-6
- Week 6** **Basics of Stock Charts**
Trends, Channels, Support and Resistance, Volume
Introduction to Stock charts
Reading: HTMS – pgs 122-123
Paper Assigned (due in the 8th week)
- Week 7** **Technical Analysis – Using Charts to Buy**
Market Bottoms
Chart base formations & consolidations
Timing buy points
Reading: HTMS – pgs 56- 68

- Week 8** **Technical Analysis – Using Charts to Sell**
Market Tops
Technical Analysis of Stock Charts
Selling for profits
Reading: HTMS – Chapter 12
Homework: Bull or bear market?
Paper due This lecture
- Week 9** **Technical Analysis / Investment Strategies**
Analysis of Stock Charts
When to Sell for profits
Portfolio Management – *Diversification*
Quiz #2
Reading: HTMS – Chapter 9 / 10
- Week 10** **Analyzing Historical Examples**
We will analyze the characteristics of some of the greatest winners in the stock market history
We will go through day-by-day analysis of real-life examples
Reading: look through HTMS – Chapter 13
Assign Presentation (create groups, due in the 12th week)
- Week 11** **Modern Portfolio Theory / Other Types of Investments**
Passive Management vs. Active Management
Market efficiency and inside information
Food chain of information
Mutual Funds, Index Funds, Exchange-traded Funds, options
Reading: selected articles, HTMS – Chapter 18
- Week 12** **Stocks and Beyond**
Financial Industry
 Private Equity, Venture Capital, Investment Banking
 Investment Management, Hedge Funds
Careers
Other questions
- Week 13** **Presentations**
- Week 14** **Last Day – Presentations - Wrap of Semester**
Lingering questions
Feedback sheets