

ECON 4500 Economics of Investment
 C111
 M: 6:00pm - 8:40pm Fall 2011
<http://www.csustan.edu/Economics/EErickson@csustan.edu>

Instructor: E.C. Erickson
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 Office Hours: **M/W:** 11:00am - 1:00pm
T/TH: 11:00am - 12:15pm
M: 5:30 – 6:30pm
 And by appointment

SYLLABUS AND COURSE OUTLINE

Required Texts: *A Random Walk Down Wall Street*, Revised 2007 edition–Malkiel (MAL)
Personal Investing, Widicus & Stitzel, 5th Edition (or reprint of book) (W)
The Wall Street Journal* or *Barrons

Library Reserve:	<i>How Charts Can Help You in the Stock Market</i> - Jiler	} <i>Technical</i>	(J)
(Selected	<i>Selection of Securities</i> - Lerro & Swaney		(L&S)
Readings)	<i>Stock Market Logic</i> - N. Fosback	} <i>Analysis</i>	(F)
	<i>The Investor's Guide to Technical Analysis</i> -C. Hardy (office)		(CH)
	<i>The Business Cycle</i> - R.C.O. Matthews	} <i>Historical</i>	(M)
	<i>Manias, Panics and Crashes</i> – C.P. Kindleberger		(K)
	<i>Irrational Exuberance</i> – R. Shiller		} <i>Perspective</i> (S)

Reading Assignments:

- I. Introduction (What occurs during a business cycle?)(M) Ch. 1
 - A. The Economy (MAL) Ch. 1, 2
 - B. Risk vs. Return (S) Ch 1
 - C. Function of Financial Markets (W) Ch. 1
 - D. Real vs. Financial Investment (W) Ch. 2
 - E. Analytical/Technical Tools (L&S) Ch. 1, 2 or (J) Ch. 1

- II. Theory of Investment Selection
 - A. Theoretical: Real vs. Financial (MAL) Ch. 3, 4
 1. Investment Objectives
 2. Portfolio Selection and Management
 3. Market Efficiency
 - B. Technical Asset Valuation (L&S) Ch. 3-19 or (J) Ch. 2-17 or (CH) (MAL) Ch. 5, 6
 - C. Fundamental Asset Valuation (W) Ch. 3 (MAL) Ch. 7, 8, 9, 10
 - D. Random Walk (MAL) Ch. 11, 12
 - E. Life Cycle (MAL) Ch. 13, 14, 15 (S) Ch. 4, 5, 6

- III. Traditional and Derivative Investments
 - A. Financial Markets: Debt/Equity
 1. Money Markets (W) Ch. 4, 5, 6, 7
 2. Bond Markets
 3. Stock Markets
 - B. Investment Companies (W) Ch. 8
 - C. Types of Trading Futures & Options (W) Ch. 9

(Over)

- D. Real Estate (W) Ch. 11
 - 1. Residential
 - 2. Commercial
 - 3. Industrial
 - 4. Agricultural
 - 5. Raw Land

- IV. Markets and Information (W) Ch. 12, 13

- V. Other Investments
 - A. Precious Metals
 - B. Stamps and Coins
 - C. Art Objects

- VI. Investment and the Business Cycle Evaluation (K) Ch. 2 or (S) Ch. 7, 8, 9, 10
 - A. Business Cycles and Investment Timing (W) Ch. 14, 15
 - 1. Indicators (M) Ch. 2, 4, 5
 - 2. Causes
 - 3. Models
 - B. Measurement of returns
 - 1. Present value
 - 2. Marginal efficiency of capital vs. investment
 - C. Elements of Forecasting

- VII. Dynamics of Taxes and Management (W) Ch. 16, 17

- VIII. Conclusion: Comparison of concepts and assumptions in micro theories of investment and macro theory especially business cycles.

GRADE DISTRIBUTIONS (Approximate)

Assignments	35%
Final	35%
Quizzes	30%

Objectives: Introduction to the economy, economic evaluation, exposure to financial markets and a wide range of personal financial alternatives and tools available for analysis. No prior knowledge is assumed but a desire to learn about the topic is essential.

Practice Exams can be found at:

<http://www.csustan.edu/economics/Faculty/Erickson/index.html> under Courses Taught:

Test Bank.