Financial Education - basics

basics

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This book is meant to collect some notes about financial instruments and methods for financial education, and mainly focused asset allocation.

This material is part of the **basics-books project**. It is also available as a .pdf document.

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Parte I

Introduction

CAPITOLO 1

Summary

Introduction

Financial goals; money; inflation (BC and inflation target);

Asset classes

Asset allocation

CAPITOLO 2

References

Here some references to othere sources, in order to reasonably organize the contents of this book

Investment and Portfolio Management - RICE - coursera - A.Ozoguz, J.Foote

Global Financial Markets

- Intro and Review of Elementary Finance Tools
- Financial system and financial assets: fixed income, equity and derivatives
- Organization of financial markets and securities trading

Portfolio Selection and Risk Management

- Intro and R/R: R/R trade-off
- Ptf construction and diversification
- Investor choices: utility functions, mean-variance preferences
- Optimal capital allocation and portfolio choice: mean-variance optimization (Modern Portfolio Theory)
- Equilibrium asset princing models: CAPM, return-beta; multi-factor models (e.g. Fama-French)

Biases and Portfolio Selection

- Efficient Market Hypotesis (EMH), and anomalies
- Biases and realistic preferences
- Inefficient markets: equity premium, volatility puzzle (?), long-run reversal to the mean, value effect, momentum
- Investor behavior

Investment Strategies and Portfolio Analysis

- Performance measurement and benchmarking
- Active vs passive investing: R^* risk-adjusted return measurements: Sharpe, Sortino, Treynor'ratio, Jensens'alpha,…;comparing rhe R^*
- Performance evaluation: style analysis and performance attribution

Capstone: Build a Winning Investment Portfolio

Using software for building ptf and assess its properties

- …

CAPITOLO 3

Actors

3.1 People

3.2 Private companies

3.3 Government - public

3.4 Banks

3.4.1 Central banks

3.4.2 Investment banks

3.5 Foreign regions

CAPITOLO 4

Inflation

- Definition and measurements of inflation
- Example: Italy (ISTAT). NIC, FOI, IPCA; sectors: weights, and sector IPC
- Who controls inflation, and how? One of *CB* goals: inflation target; means: monetary policy
- Origin of inflation?
  - short-, medium-run: cost-push, demand-pull, built-in (triangle model)
  - long-run: «monetary always and everywhere a monetary phenomenon» M.Friedman

CAPITOLO 5

Policy

	Monetary Policy	Fiscal Policy
Controlled by	CB	Government
Main tools	IR, Money supply	Taxes, Spending, Transfers
Speed	Usually faster	Politically slower, debated
Focus	Inflation, lliquidity, credit	Employment, Income distribution
Independence		

5.1 Monetary policy

5.2 Fiscal policy

Parte II

Investing Principles

CAPITOLO 6

Principles of investing

Goals: personal wealth management, to reach personal (reasonable) goals. Person-dependent goals; minimal reasonablle goal: preseve real value of personal wealth (purchasing power)

Human beings usually tend to behave to optimize a personal «utility function».

Some principles:

- No return w/o risk
- Assets usually show auto-correlation in the short-, mid-, regression towards the mean in the long-term
- If one is buying, someonelse is selling

Random topics:

- real vs. nominal: inflation
- Risk/Reward
- diversification
- volatility drag
- PIC vs. PAC

Parte III

Asset classes

CAPITOLO 7

Introduction to asset classes

CAPITOLO 8

Bonds

CAPITOLO 9

Equity

Parte IV

Asset allocation

CAPITOLO 10

Introduction to investing

CAPITOLO 11

Modern Portfolio Theory

CAPITOLO 12

Capital Asset Pricing Model