Template Study Note V2.0

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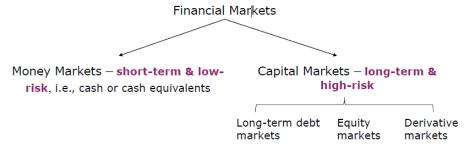# Contents

Chapter 1

Investments and securities markets

• describe differences among asset classes and construction of stock market indexes, and calculate profit/loss on options/futures investments. • describe how firms issue securities, and identify types of investors' orders • compare mechanics and implications of buying on margin & short selling • cite pros/cons of investing with an investment company, and contrast open end mutual funds with other types of investment companies. • define net asset value (NAV) and measure the rate of return on a mutual fund, and classify mutual funds according to investment style. • demonstrate the impact of expenses and turnover on fund performance

1.1   Asset Classes and Financial Instruments

Money Markets

– Treasury bills – Certificates of deposits (term deposits) – Commercial Paper CP (short term unsecured corporate notes) – Bankers Acceptances (a postdated

check) – Eurodollars (U.S. dollar denominated deposits at foreign banks or foreign branches of U.S. banks) – Repurchase Agreements (Repos or RPs) and Reverse Repos. – Others, e.g., Brokers ' Calls interests charged by banks on loans made to brokerage firms), Federal Funds, The LIBOR Market, and Money Market Funds

1.1.1   The bond market

- Treasury Notes/Bonds ($21 billion, $21/$51= 41% of 2020 US Bond Market)
- Mortgages and Mortgage Backed Securities ($12.7 billion, 25%
- Corporate Bonds, including secured bonds, debentures (unsecured), callable/puttable/convertible bonds ($10.6 billion, 21%
- Municipal Bonds (Issued by states/local, tax exempt) ($3.95 billion, 7.8%)
- Federal Agency Debt, e.g., Fannie Mae, Freddie Mac (3.3%)
- International Bonds

  – Eurobonds: Eurodollar bonds bonds denominated in a currency other than the issuer's currency
  – Yankee bond: US dollar denominated bond sold in the U.S. by a non U.S. issuer

- Inflation Protected Bonds (i.e., principal is adjusted per CPI)

1.1.2   The equity market

- Common stocks
- Preferred stocks (behaving to bond)
- Depository receipts, (shares in a foreign company)

1.1.3   Stock and bond market indexes

- Broad based index (S&P 500 etc.)

- Narrow based index (composed of only a few stocks, in a specific industry)

- Why indexes?

- Provide performance benchmarks

- Base of derivatives -"Smart beta"

Construction Methodology: - Price weighted (DJIA) - Market value weighted (S&P500, NASDAQ) - Equal weighted (simple average of returns)

1.1.4 Derivative markets

- A security with a payoff that depends on the prices of other securities
- Call/put options
- Futures/Forwards
- Swaps, futures options, etc.
- Why we need them?
- Speculative
- Hedging
- Arbitraging

1.2 Securities Markets and Trading

Originators - Publicly traded companies initial public offering (IPO), and seasonal equity offerings (SEOs), - Privately held firms (private placement in which shares are sold directly to a small group of institutional or wealthy investors) - Shelf registrations (public firms can register securities and gradually sell them to the public)

How securities are traded (in secondary markets) - Direct search (e.g. painting) - Brokered - Dealer - Auctions

1.3 Trading mechanisms

1.4 Over the counter dealer markets (OTC Markets)

Electronic communication networks (ECNs) ## Market Participants

Chapter 2

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2.1 Enter subsection 1 here

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Chapter 3

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Chapter 4

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Chapter 11

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Chapter 12

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12.1   Enter subsection 1 here

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Concluding Remarks

Three points learnt

Summarise three major point that you learnt from this course:

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-
-

Three questions to ask

Come up with three questions to ponder:

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-
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Remarks

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How to use RBookDown

Firstly, you will have to read the RBookDown Bible by YiHui Xie

In essence, you write in a mixture of markdown (For basics), html (to extend on markdown) and latex language (mostly for equations) to create a simple Note.

You can customise your style and theme through your own CSS.

RMarkdown are mostly used to knit e-books(HTML), use TexStudio if you want a proper PDF, it is easier.

Here are some useful tips to get started

1: To add a chapter, just open a R file and save as `.RMD`. Use number 0 to 99 with a hyphen `-` to order the RMD files and maybe add a Chapter name so it is easier to select from `Files` window at bottom right of the R Studio.

2: Code chunks can generate graphical outputs, To insert pictures just use `include_graphics` instead of `\includegraphics{}` or `![]()`. Width can be customised.

```
knitr::include_graphics(rep('images/knit-logo.png', 3))
```

3: Use 1 grave accent ' to include the in line code, use 3 grave accent to include a chunk of code.