



BUSINESS

Finance for Non-Finance

Major Review

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What is a **security**?

- A promise/contract between borrowers and lenders; also called financial instrument

What is **Financial Market**?

- A market where investor/borrower meets and buy/sell financial securities



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What are these?

Debt

coupon first claim Principal
default
commercial หนี้กู้
paper debenture
Maturity

Equity

หุ้นสามัญ last claim
capital หุ้นบุริมสิทธิ voting
gains PE rights
dividend **Beta**

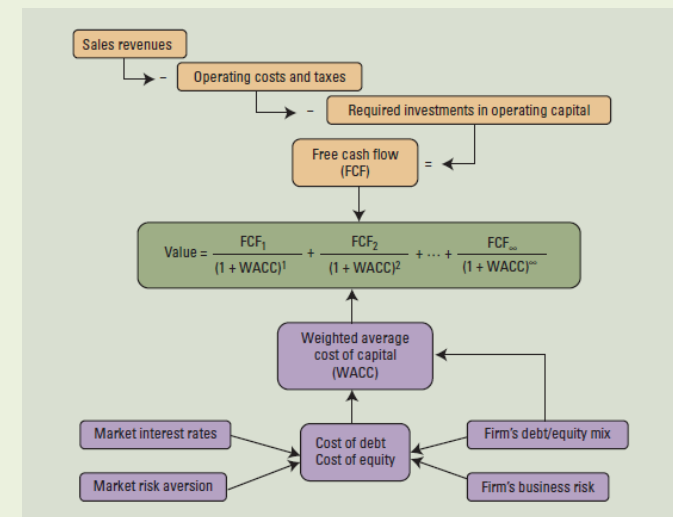


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Why stock **different stock** trade at **different price**?

Why **price changes** every day?

- Each firm are different in business models
- Hence difference CFs and discount rates
- News changes the way people think about a firm (CFs, discount rates)





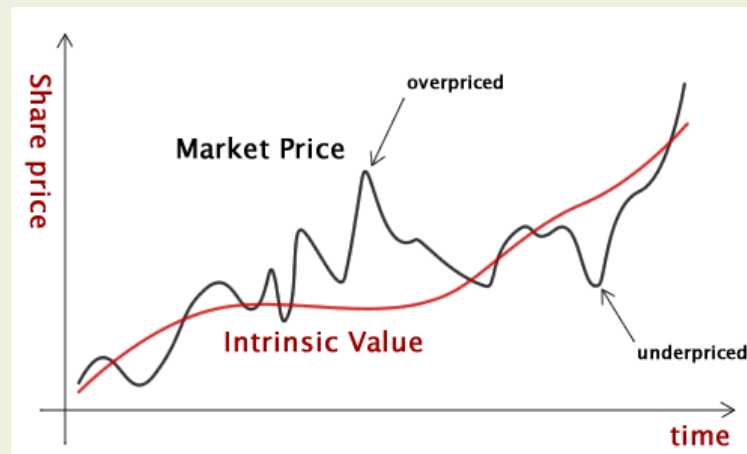
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What **calculation** can be done with **stock price**

- We can calculate a series of returns;
daily, monthly and quarterly
 - $\text{Mean(a series of returns)} = \text{Average Return}$
 - $\text{Stdev(a series of returns)} = \text{Risk aka Volatility}$
- Remember to annualize it accordingly and correctly!!
- $\text{Stock Beta} = \text{Slope}(Y - \text{a series of stock returns}, X - \text{a series of market returns})$



What is the motivation for buy and sell?



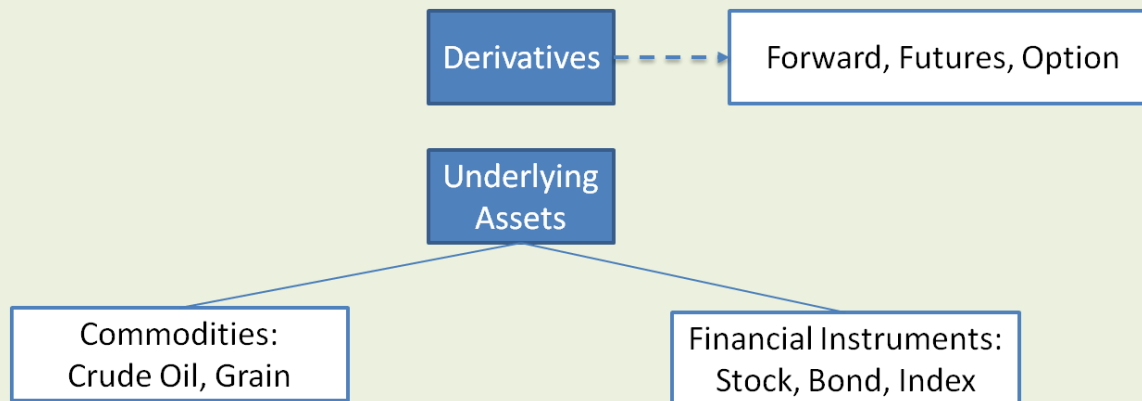
- what you see is market price, what you think is intrinsic value
- if the market price is underpriced(overpriced), it will eventually increase(decrease), then your decision is to buy(sell)
- Long = Buy, Short = Sell



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What is derivatives?

- Derivative, by itself, has no value. Derivative derives value from Underlying Asset





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If you want to buy XYZ stock, which price you pay?

If you want to sell XYZ stock, which price you receive?

Bid	Ask
105.12	105.14

you receive

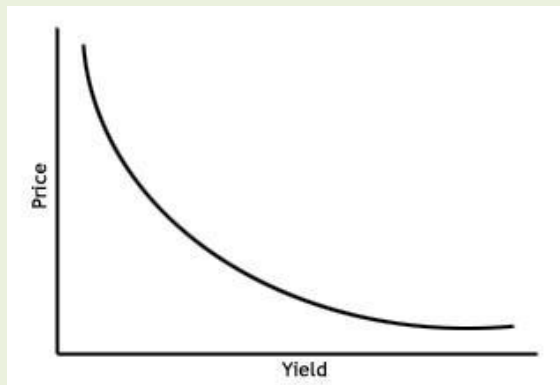
you pay



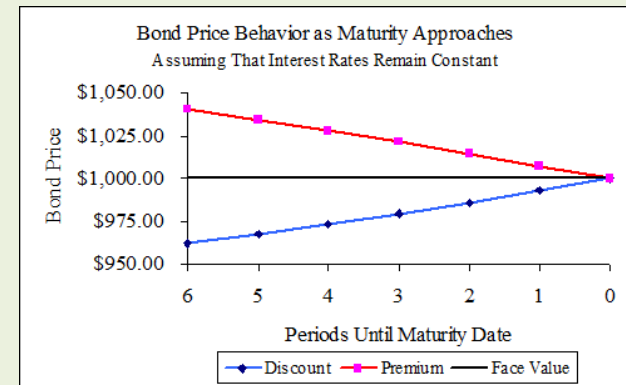
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What is the relationship between these pairs

Price vs. Yield



Price vs. Time





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What are these actions?



Long
Bond



Short
Bond

