Chapter 4: Why do interest rates charge? Asset is piece of proper that stoves value wealth is the total rescures would by the individus (includes assers) Experch return (the return expected over the next period) on one asjet relative to afternative assets. RISK (the desire of uncertainty associated with the vetur) of one asset relative to afteractive assets Lizuidity (the ease and speed of which an asset can be tound into cash) relative to alternative assets, Yandard deviation - returns on 9 \$ 518+ Wishe standard deviction of greater visk of an asset. theory of partitolio choice - tells us how much of an gistet people want to hold in their portfelio. demud curve - shows the velylimship between the grantity demander one the price when all other economic voriging ove held Constant. Sopply convershous the veloticulair between the society supplies and two price whe all other economic various are held @ constant. MUKER equilibrium ince the amount that people are will'y to buy (demail) equal the amount that people are willis to Sell (Supply) at a grue price, exers supply - the Eventity Of bonds supplied exceeds the quarity of bonds demanded ex(e) serud - the quality semuded at is quever than the quantity supplied at point F. The 9150+ MWHOT approch - to understoody behavior in financial markets which emphrizes stocks of asset rather than flows in determining asset prices is the dominant methodology used by economist

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