

<b>Course Title</b>	:	Understanding Investment in the Stock Market
<b>Course Code</b>	:	CLC9003
<b>Recommended Study Year</b>	:	Any
<b>No. of Credits/Term</b>	:	3
<b>Mode of Tuition</b>	:	Sectional Approach
<b>Class Contact Hours</b>	:	3 hours per week
<b>Category in Major Programme</b>	:	Free Elective Core Curriculum (Management and Society Cluster)
<b>Prerequisite</b>	:	Nil

### **Brief Course Description**

This course is specially designed to help students understand the basics of investments and the functions of capital markets.

In this course we will emphasize both the academic and practical aspects of fundamental investment and portfolio management. Students will learn concepts that are applicable in the field of investments.

The course integrates an understanding of basic market fundamentals, determinants of stock prices, basic chart analysis, importance of corporate governance, trading services, disciplined investing approach, practical investment skills and use of free web tools and financial reports to improve students' financial knowledge.

Moreover, the course covers the characteristics of popular products such as exchange traded funds and real estate investment trusts traded on the Hong Kong Stock Exchanges. The course also indicates how these investment products may meet the needs of investors. The active and growing IPO activities in Hong Kong will also be discussed.

The course is unique in that it gives students the practical tools and knowledge they will not find in other courses.

This is a self-contained and non-technical introductory course to all students interested in having a better control over their financial life.

### **Aims**

This course aims to introduce students the basics of investments concepts and the functions of capital markets in both academic and practical aspects.

### **Learning Outcomes (LOs)**

On completion of this course, students are expected to be able to:

1. describe and explain the basic features and functions of securities markets and financial products.
2. apply fundamental analysis techniques and basic valuation methods by using firms' financial reports and financial analysts' reports.
3. elaborate and critically analyse the implications of various technical indicators and trend determination techniques.
4. recognize, compare, and contrast investment pitfalls relating to market sentiment and behavioural finance.
5. summarise and categorise the development and importance of corporate governance on the stock market.

### **Indicative Contents**

To achieve the objectives, the course covers the following topics:

1. Introduction to investments and securities market
  - Types of securities markets
  - Efficient Market Hypothesis
  - Basic valuation techniques for stock prices
  - Risk-return trade off and diversification
2. Fundamentals and technical analysis
  - Widely used methods in fundamental analysis
  - Analysis of a company's profitability, cash flows and staying power
  - Common technical indicators
  - Technical analysis of individual stocks and markets
  - Use of free web tools and resources
3. Behavioural finance
  - Introduction to investor and market behaviour
  - Indicators of market sentiment
  - Effects of behavioural characteristics on investor decision making and market efficiency
4. Introduction to corporate governance
  - Definition of corporate governance
  - Types of corporate governance
  - The development of corporate governance in Hong Kong
  - Corporate governance and stock performance

5. Macroeconomic determinants

- Liquidity
- Business cycle
- Other determinants including integration with China

6. Major products and characteristics of Hong Kong's securities markets

- Basic features and performance of popular financial products in Hong Kong
- Major indexes and popular benchmarks in Hong Kong
- Classification of stocks
- Introduction to the exchange traded fund market
- Basics on futures, warrants, and callable bull bear contracts
- Equity linked products provided by banks
- IPO activities in Hong Kong
- Introduction to real estate investment trusts (REITs)
- A historical perspective on stock market crises in Hong Kong

7. Analyst reports and financial news

- Role of financial information
- Understanding financial news
- Understanding financial reports

**Teaching Method/Class Activities**

Class activities will include the lectures on concepts and theories, class exercises, case discussions, and student presentations on investment in accordance with the covered material. A high level of student participation in the classes is encouraged.

**Measurement of Learning Outcomes**

1. In both the Midterm Test and the Final Examination, questions will be set to assess students' understand of basic concepts and knowledge of financial market and the adoption of skills and techniques for analyzing financial statements and security valuation. (LO1, LO2, LO3, LO4, LO5)
2. A group project requires student teams to construct an investment portfolio. Both a written report and an oral presentation are required in order to assess their understanding of Hong Kong's financial markets and products, applications of basic investment skills, and their writing and presentation skills. The field study report is assessed for logic, flow, and reasons and supports for investment recommendations within an overall portfolio. (LO1, LO2, LO3, LO4, LO5)

**Assessment**

Continuous Assessment	50%
Participation 10%	
<ul style="list-style-type: none"><li>Assesses students on the analysis and evaluation of investment cases and discussions</li></ul>	
Midterm Test 15%	
<ul style="list-style-type: none"><li>Assesses students on the ability to articulate investment concepts and apply basic approaches and skills on investment analysis.</li><li>Assessing the writing skills of students.</li></ul>	
Group project on portfolio management 25%	
<ul style="list-style-type: none"><li>Assesses students on the application of basic approaches and skills on the analysis.</li><li>Assesses students' abilities in oral communication skills through a presentation.</li><li>Assesses the writing and communication skills of students.</li><li>Assesses the abilities of students to make a critical analysis of the investment products they selected.</li><li>Assesses the abilities of students to analyze and interpret relevant market information and news.</li></ul>	
Final Examination	50%
<ul style="list-style-type: none"><li>Assesses students on their ability to articulate investment concepts and apply basic approaches and skills on investment analysis.</li><li>Assesses the abilities of students to describe the relevant features of investment products.</li><li>Assesses the writing skills of students.</li></ul>	
<b>Total</b>	<b>100%</b>

**Required/Essential Reading**

Note: Given the subject area is developing quickly, it is likely that no single textbook will cover all the material. The lecture notes will draw upon different sources and will not rigidly follow any single one of the textbooks.

**Recommended/ Supplementary Readings**

Michael C. Thomsett, *Getting Started in Fundamental Analysis*, latest edition, Wiley.

Benjamin Graham and David Dodd, *Security analysis*, 6th edition, McGraw Hill, 2008.

Hersh Shefrin, *Behavioral Corporate Finance*, McGraw Hill, 2005.

Hong Kong Securities and Investment Institute, Study Manuals for LE Papers 1, 7, & 8 Hong Kong Securities Institute, 2016.

Hong Kong Securities Institute, Study Manuals for LE Papers 1, 7, & 8, Hong Kong Securities Institute, 2010.

Martin J. Pring, How to Select Stocks Using Technical Analysis, McGraw Hill, 2008.

Martin J. Pring, Technical Analysis Explained: The Successful Investor's Guide to Spotting Investment Trends and Turning Points, 5th edition, McGraw Hill, 2014.

Martin J. Pring, Study Guide For Technical Analysis Explained: The Successful Investor's Guide To Spotting Investment Trends And Turning Points, 5th edition, McGraw Hill, 2014.

Michael C. Thomsett, Mastering Fundamental Analysis: How to Spot Trends and Pick Winning Stocks Like the Pros, Dearborn Financial Publishing, 1998.

Robert D. Edwards, John Magee, and W. H. C. Bassetti, Technical Analysis of Stock Trends, 10th Edition, CRC Press, 2013.

Tim Koller, Marc Goedhart, and David Wessels, Valuation: Measuring and Managing the Value of Company, 6th edition, Wiley, 2015.

### **Important Notes**

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.