International Management Studies

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I. Global and Korea Macro Events

1. US-China Trade War (Tension and Pause)
2. Russia vs Ukraine War
3. US and Global Move to Nuclear Power Plants
4. Korea: New President

II. Efficient Market Hypothesis

1. Introduction

The Efficient Market Hypothesis (EMH) is a financial theory stating that **security prices fully reflect all available information**. Proposed by **Eugene Fama** in the 1960s, EMH implies that it is **impossible to consistently achieve returns higher than average market returns** on a risk-adjusted basis.

2. Three Forms of Market Efficiency

Type	Information Reflected in Price	Implication for Investors
Weak-form	Past prices and volume	Technical analysis is ineffective
Semi-strong	All public information (financial reports, news, etc.)	Fundamental analysis is ineffective
Strong-form	All information, public and private	Even insider trading cannot produce excess return

III. Portfolio Theory and Examples

1. What is Portfolio Theory?

Portfolio Theory is a framework for **constructing an investment portfolio** that **maximizes expected return for a given level of risk**, or **minimizes risk for a given level of expected return**.

📌 **Key Concept**:

> **Don't put all your eggs in one basket.**

3. Simple Two-Asset Example

✨ **Example:**

- Asset A (e.g., a tech stock):
  - Expected return: **10%**
  - Standard deviation: **15%**
- Asset B (e.g., a government bond):
  - Expected return: **4%**
  - Standard deviation: **5%**

Portfolio:

- 50% in Asset A, 50% in Asset B
- Correlation between A and B: **0** (uncorrelated)

💡 **Step-by-Step:**

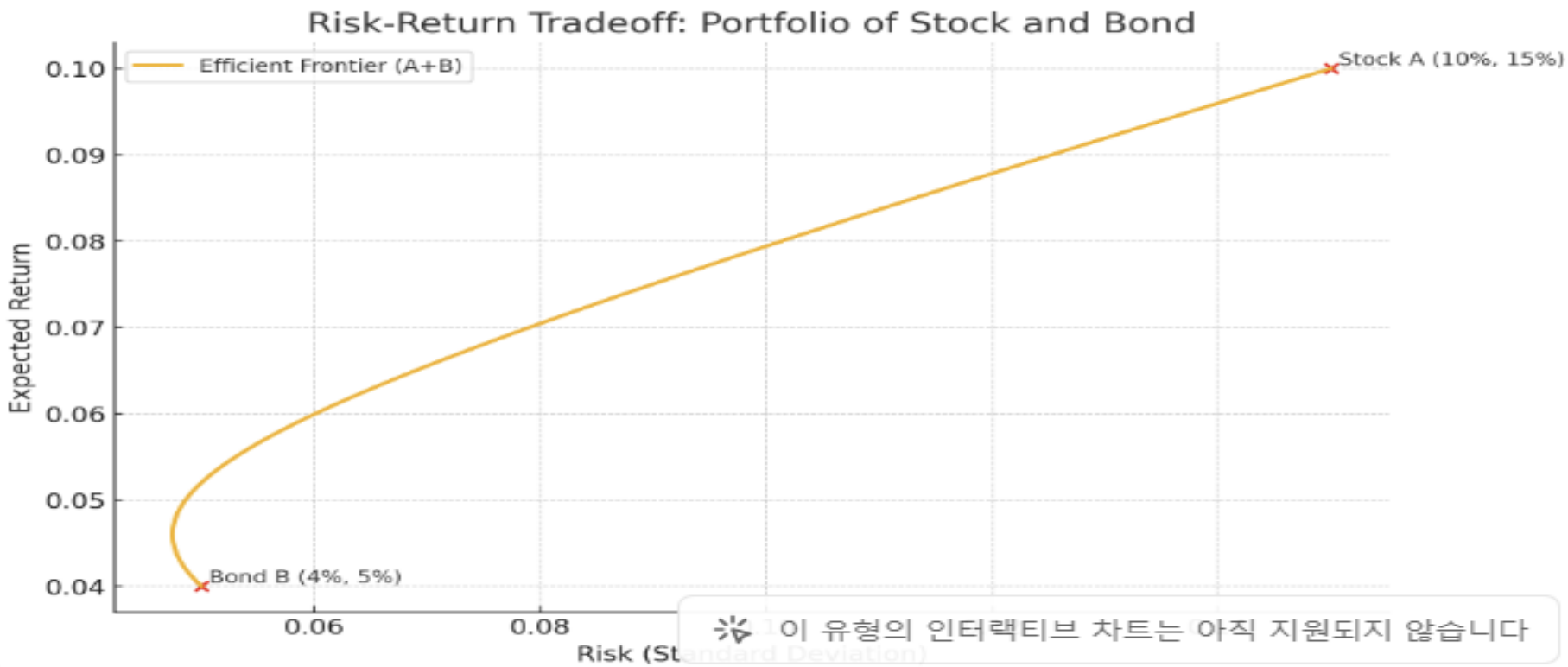
1. **Expected Portfolio Return**

$$E(R_p) = w_A \cdot E(R_A) + w_B \cdot E(R_B)$$
$$= 0.5 \cdot 10\% + 0.5 \cdot 4\% = 7\%$$

2. **Portfolio Risk (if uncorrelated)**

$$\sigma_p = \sqrt{(0.5^2 \cdot 15^2) + (0.5^2 \cdot 5^2)} = \sqrt{56.25 + 6.25} = \sqrt{62.5} \approx 7.9\%$$

Risk-Return Tradeoff: Portfolio Of Stock And Bond



Here is the chart showing the **risk-return tradeoff** for a portfolio composed of **Stock A** and **Bond B** with different weights.

IV. Review and Probable Questions for the Final Exam

1. Analysis of Global Economy and Global Financial Markets

(Global GDP, top 10 GDP countries, top 5 global firms)

2. Fundamental Approach vs Technical Approach (Which one is more important in the stock investment ?)

3. Top-down Approach ?

4. Industry Analysis

5. M. Porter's 5 Competitive Forces

6. Time Value of Money (How to calculate the present value)

7. The use of Time Value of Money in valuing various assets (stocks, bonds, real estate)

8. Offer three reasons for your team’s recommendation on the promising industry

9. Offer three reasons for your team’s recommendation on the promising stock

10. Why is the Efficient Market Hypothesis so important in your stock investing ?

11. Show risk reduction process when you are investing on two assets which have different standard deviation and correlation efficient being 0, -1, +1

V. Quiz 2