

## Answers

### Chapter 8 – The Fundamentals of Investing

1. Weekly.
2. Diversification.
3. Answers will vary. A 100% allocation to stocks goes against the fundamentals of diversification.
4. Fundamental factors that the IPC considers may include the corporate earnings outlook, the economic environment, interest rates, tax legislation, and investor sentiment. Technical market analysis is based on a review of current and historical price levels and price changes, trading volume, and other market statistics to identify price points at which investors are likely to buy or sell.
5. Answers will vary. Extreme asset allocation shifts are rare because many economic changes that affect asset allocation decisions occur slowly and are adjusted for over time.
6. The recommended allocation to stocks is likely to be lower in May 2001.

## Teaching Tips

### Chapter 8 – The Fundamentals of Investing

1. In groups of four, ask the students to form their own investment policy committees. During the next four weeks, have each group research the market and economic activity. Then, have each group make a weekly investment recommendation to the class.
2. Have the students use the search engine at the Standard & Poor's Web site. Ask them to find an article about diversification or asset allocation, summarize it and present it orally to the class.