Investment Analysis - Unit 3 - Hate to Burst Your Bubble

Unit Focus

In this third unit of study students will learn about the psychology of investing. They will learn how different cognitive biases may cloud judgement when it comes to investing. This will be applied in studying famous stock market bubbles, common scams and schemes, and how psychology plays a role in these investment decisions.

Stage 1: Desired Results - Key Understandings

Standard(s)

MBA Research Business Administration Standards
Finance Cluster

- Discuss legal considerations in the finance industry ((BL:133) (SP))
- Explain the responsibilities of finance professionals in providing client services ((CR:012) (CS))
- Discuss ethical considerations in the securities and investments industry ((BL: 104) (SP))
- Discuss laws and regulations governing the securities and investments industry ((BL: 105) (SP))
- Discuss the nature of investment risk ((FI: 349) (SP))
- Describe the role and responsibilities of individuals in the securities and investments industry ((PD:231) (SP))
- Describe licensing exams required to sell securities and other financial products ((PD:232) (SP))
- Explain professional designations in the securities and investments industry (e.g., CFS, CFA, BCAA, BCS, CSC, CFP, etc.) ((PD:233) (SP))

Madison Public Schools Profile of a Graduate

- Analyzing: Examining information/data/ evidence from multiple sources to identify possible underlying assumptions, patterns, and relationships in order to make inferences. (POG.1.2)
- Decision Making: Make responsible decisions, based on potential outcomes. (POG.4.2)

Transfer

Students will be able to independently use their learning to...
T1 Demonstrate fiscal responsibility through examination of needs and wants, development of short and long term plans, and/or conservation of limited resources.

Meaning

Understanding(s)

Students will understand that...
U1 Investors rely on mental shortcuts when making investing decisions, which can contribute to mispricing and speculative bubbles, and falling victim to scams.
U2 Stock bubbles are not unique events; they occur throughout history because human psychology remains constant, leading to cycles of excessive optimism and eventual market corrections.
U3 Understanding cognitive biases and implementing safeguards (such as diversification and regulatory oversight) can help prevent catastrophic financial losses.
U4 Careers in investing require an understanding of how collective behavior and biases create price movements, allowing professionals to anticipate potential bubbles and corrections.
U5 There are many career paths within investing. Investment professionals can specialize in different areas depending on their skills and interests.

Essential Question(s)

Students will keep considering...
Q1 How do cognitive biases influence investment decisions, and how can professionals mitigate them?
Q2 Why do stock bubbles form, and what role do investors play in their creation and collapse?
Q3 How do emotions like fear and greed impact market behavior and investment choices?
Q4 What responsibilities do investors have toward clients, companies, and the broader economy?

Stage 1: Desired Results - Key Understandings		
	Acquisition of Knowledge and Skill	
	Knowledge	**Skill(s)**
	Students will know... **K1** Cognitive biases: Confirmation bias, endowment effect, FOMO, hedonic adaptation, herd mentality, loss aversion, overconfidence, sunk cost fallacy **K2** What is a stock bubble? **K3** Investing Career Pathways: financial analysts, portfolio managers, and hedge fund traders, investing certifications.	*Students will be skilled at...* **S1** Identifying how cognitive biases influence investment decisions **S2** Recognizing patterns of historic bubbles and the boom and bust cycle of the market. **S3** Explain different professional roles in the finance career pathway.