**End of Chapter Questions for Chapter 3, Macroeconomics**

1. How do macroeconomic factors such as real GDP growth, business investment, and interest rates affect stock prices?
2. What are the four main factors that motivate trading by investors?
3. Draw a stylized picture of the business cycle and describe the key characteristics of this graph.
4. Briefly explain the attributes of “virtuous” and “vicious” business cycles and how the Federal Reserve and federal government might respond to these two types of cycles.
5. What signals can interest rates and the slope of the U.S. Treasury yield curve provide about the future path of the economy? Also, briefly explain how these signals can help inform an investor in terms of what industry sectors to focus on during different stages of the business cycle.
6. Compare and contrast an order-driven limit order book with a quote-driven dealer market structure in terms of transparency, immediacy, trading costs, and volatility.
7. When would an investor prefer trading in a call auction rather than in a limit order book or a dealer market?
8. With a booming economy and “bullish” stock market, how would divergent investor expectations and adaptive valuations affect price discovery?
9. What distinct roles can “fundamental” analysis and “technical” analysis play when investing in stocks?
10. If an analysis of macroeconomic conditions and a stock’s fundamentals reveals that the “intrinsic value” of a stock is $30 per share while the current market price is $25 per share, how can technical analysis help (if at all) in terms of placing an order in the stock market? What type of order should be placed, in your opinion?