

SOURCES OF CAPITAL AND FINANCIAL MARKETS

FINANCIAL MARKETS AND THE ECONOMY

- Example 1.1

- In February 2008, Microsoft offered to buy Yahoo at \$31 per share when Yahoo was trading at \$19.18
- Yahoo rejected the offer, holding out for \$37 a share
- Proxy fight to seize control of Yahoo's board and force Yahoo to accept offer
- Proxy failed; Yahoo stock fell from \$29 to \$21
- Did Yahoo managers act in the best interests of their shareholders?

FIGURE 1.1 SHORT-TERM LIBOR AND TREASURY-BILL RATES AND THE TED SPREAD

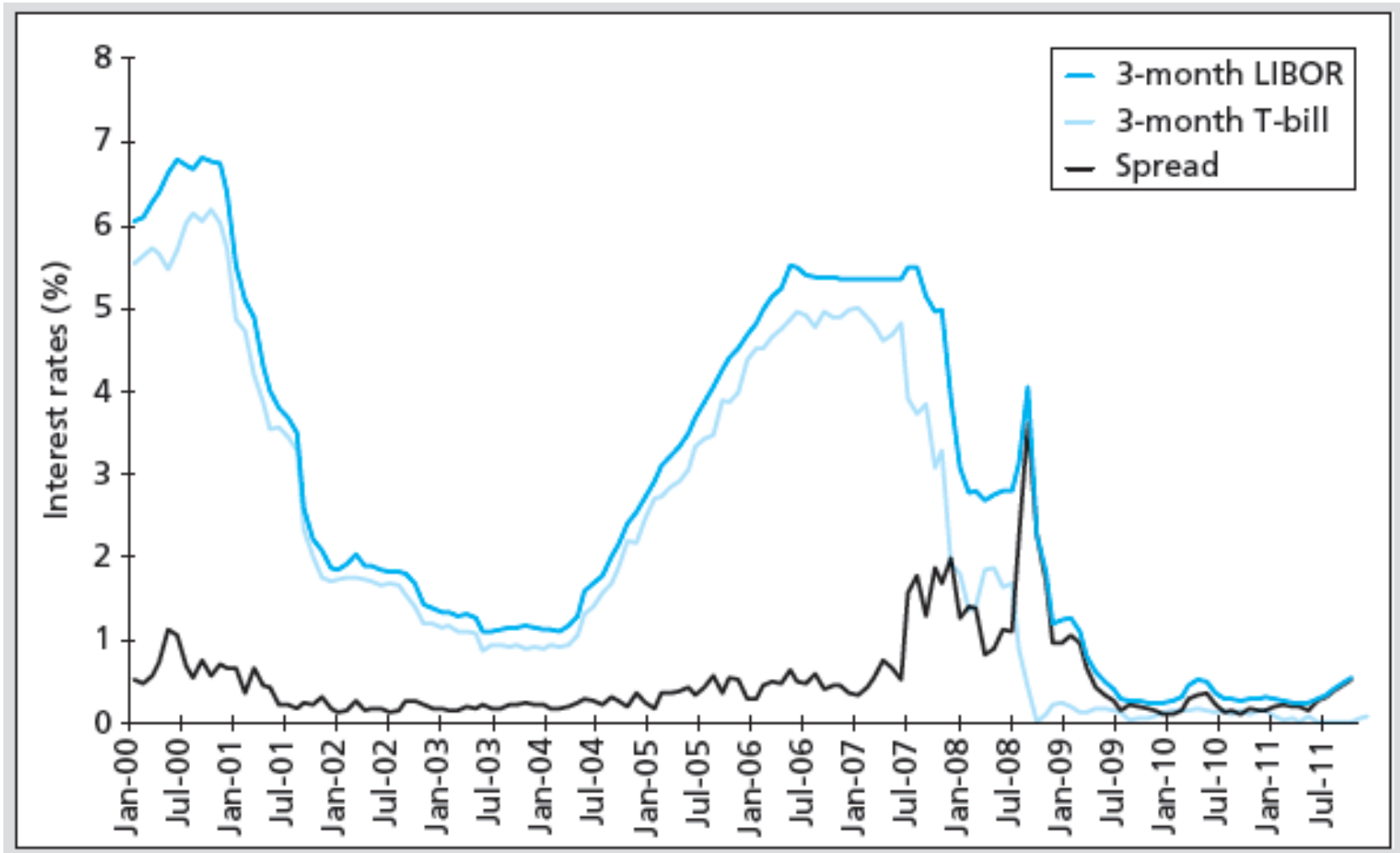


FIGURE 1.2 CUMULATIVE RETURNS

Cumulative returns on a \$1 investment in the S&P 500 index

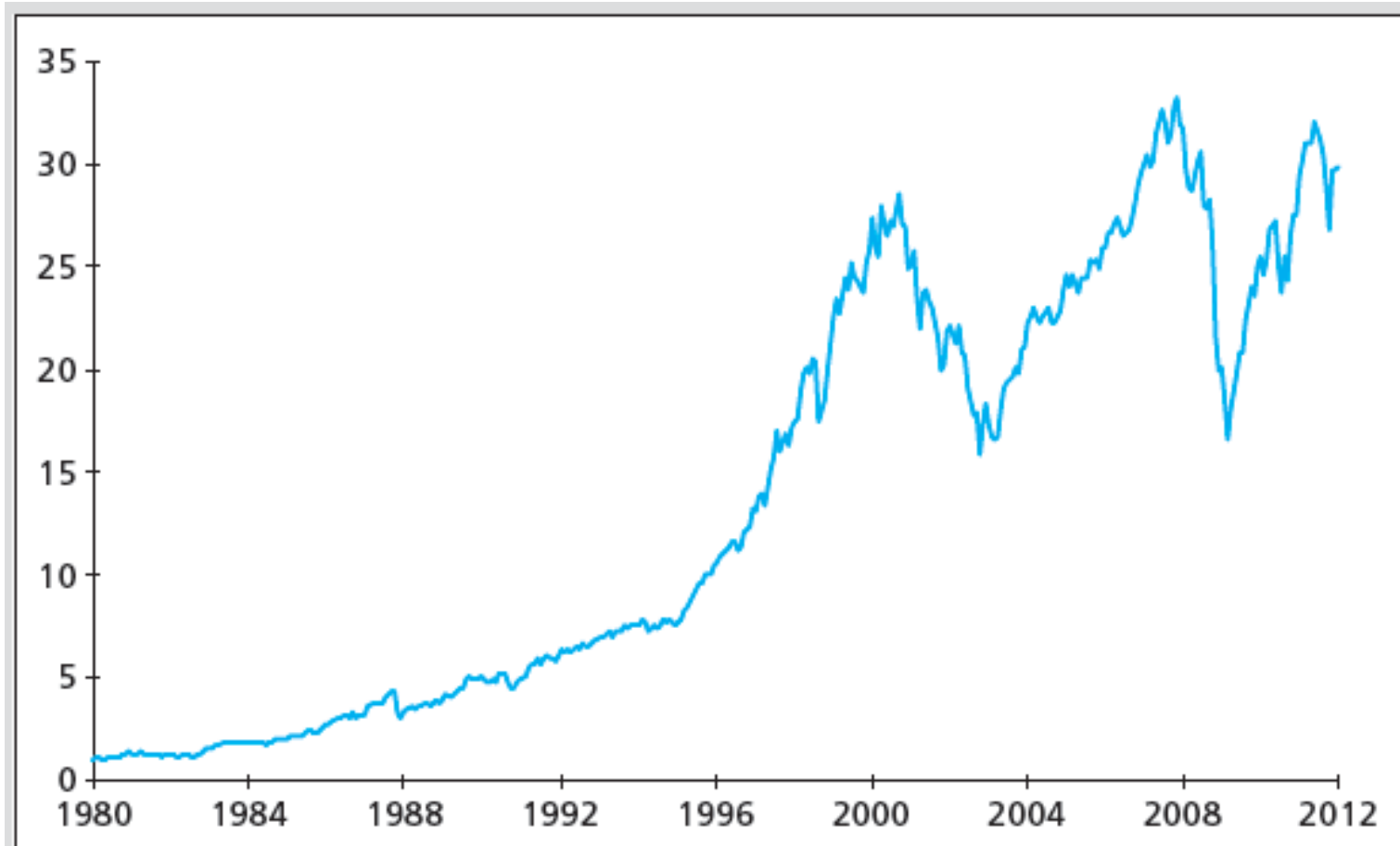


FIGURE 1.3 CASE-SHILLER INDEX OF U.S. HOUSING PRICES

