

ECONOMICS OF INVESTMENT (27200)

Course Syllabus

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Economics of Investment
27200
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Course Description

The path-breaking advances in finance theory and practice over the past decades have profoundly changed the financial world. These changes are further accelerated by the extensive globalization of financial markets and the rapid development in financial technologies in recent years. This course provides a rigorous introduction to the fundamentals of modern financial analysis and their applications to business challenges in basic security analysis, asset allocation and investment management.

The course is lecture based. Lectures will consist of covering the theory, examples, and class discussion. Homework assignments will focus on applying the material from lectures.

The major topics to be covered are:

- Time-value of money
- Asset classes and financial instruments
- Securities markets
- Mutual funds and other investment companies
- Risk and return
- Efficient diversification
- Capital asset pricing model and arbitrage pricing theory
- Efficiency market hypothesis
- Fundamental analysis --- financial statement analysis
- Technical analysis

Prerequisites

Student must take at least one statistics course before enroll this course. Acceptable statistics courses are:

29000 PRIN OF STAT or 29400 INTR TO ECONOMETRICS (Preferred)

Textbooks

REQUIRED:

- Zvi Bodie, Alex Kane and Alan J. Marcus, **Essentials of Investments**, 7th edition, ISBN: 0-07-340517-5, McGraw-Hill.

RECOMMENDED:

- Hull, John, Options, Futures, and other Derivatives, Pearson education.
- Malkiel, A Random Walk Down Wall Street, 8th edition, W.W. Norton.
- Wall street Journal.

Course Requirements and grading policy

You are required to attend all classes, participate in class discussions, and familiarize yourself with the policies on academic integrity (see below).

Your grade will be based on class participation, attendance, group project and presentation, in class short quizzes, problem sets, midterm and the final exam. Quizzes, midterm and final will be closed-book.

Course grades will be determined according to the following weighting scheme:

- Attendance (10%)
 - Checked by random sign-up sheets
 - Respect others in class, no loud speaking without permission
- Group project and Presentation (10%)
 - Everyone will be part of a group project assignment
 - Then present it to the class
- Quizzes (10%)
 - 2 quizzes
 - Dates and materials of the quizzes will be announced in classes
- Problem sets (15%)
 - 3 homework assignments, each accounts for 5%
- Midterm (20%)
- Final (35%)
 - Comprehensive, covers all lectures in the semester

Examinations missed by an un-excused absence will result in a **zero** for that exam. Absences must be approved before the exams. **No** make-up exams will be given. Exams include quizzes, midterm and final. Late assignments will **not** be accepted.

Schedule of Lectures

Topic 1: Statistics review and introduction to time value of money

Topic 2: Asset classes and financial instruments

Readings: Ch2

Quiz 1. Covers topic 1 and 2

Topic 3: Securities markets

Readings: Ch3.1 – 3.3, Ch3.5 – 3.7

Topic 4: Mutual funds and other investment companies

Readings: Ch4.1 – 4.7

Topic 5: Risk and Return

Readings: Ch5.1 – 5.5

Midterm: Covers topic 1---5

Topic 6: Efficient diversification

Readings: Ch6

Topic 7: Capital asset pricing and arbitrage pricing theory

Readings: Ch7

Quiz 2. Covers topic 6and 7

Topic 8: Efficient market Hypothesis

Readings: Ch8

Topic 9: Fundamental analysis---financial statement analysis

Readings: Ch14.1, Ch14.3 – 14.6

Topic 10: Technical analysis

Readings: Ch9.2 and in-class hand-outs

Final: Covers topic 1---10