

Advanced Financial Economics (27400)

Course Syllabus

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Economics of Investment
27200
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Fall, 2009 (Tuesdays and Thursdays: 6:30 pm-7:45pm)

Course Description

The path-breaking advances in finance theory and practice over the past decades have profoundly changed the financial world. This is an advance course in financial theory. The objective of the course is to increase the student's knowledge and understanding of security analysis and portfolio 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:

- Bond prices and yields
- Managing bond portfolios
- Macroeconomic and industry analysis
- Equity valuation
- Options markets and valuation
- Future markets and risk management
- Performance evaluation and active portfolio management
- Globalization and international investing

Prerequisites

Student must take at least one statistics course and one finance course before enroll this course.

Acceptable **statistics** courses are:

29000 PRIN OF STAT or 29400 INTR TO ECONOMETRICS (preferred).

Acceptable **finance** courses are:

27200 ECON OF INVESTMENT (preferred) or 27100 ECON OF FINANCE, or CORPORATE FINANCE.

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.
- 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: Bond prices and yields

Readings: Ch10

Topic 3: Managing bond portfolios

Readings: Ch11.1 and Ch 11. 3

Quiz 1. Covers topic 1--3

Topic 4: Macroeconomic and industry analysis

Readings: Ch12

Topic 5: Equity valuation

Readings: Ch13.1 – 13.4

Midterm: Covers topic 1--5

Topic 6: Options markets

Readings: Ch15.1 – 15.3

Topic 7: Option valuation

Readings: Ch16.1

Quiz 2. Covers topic 6 and 7

Topic 8: Futures markets and risk management

Readings: Ch17.1 – 17.5

Topic 9: Performance evaluation and active portfolio management

Readings: Ch18

Topic 10: Globalization and international investing

Readings: Ch19

Final: Covers topic 1--10