

Economics 173A Financial Markets

Summer 2016

Center 109 MTuWTh 9:30 – 10:50am

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Office: Economics 110B.

Office hours and Assignment dates are on the Professor's [Homepage](#) calendar

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COURSE OBJECTIVES

Successful investment management (“I.M.”) requires an appreciation of the risk-return trade-off. This course develops a framework for understanding how investors choose between risky and risk-free financial securities. This involves asset allocation and security selection as well as an understanding of the markets in which securities trade.

Finance is inherently a practitioner’s science – built on theory but continuously tested and revised through empirical analysis and subjective judgment. The aim is to provide experience in applying techniques that are commonly used in professional investment management.

We will start with the role of financial markets in a money capital economy. Next we will review financial accounting, the role of cash flows, and calculations of return on investment. With these tools, we will turn to the valuation of securities – stocks and bonds. Stocks are equity securities and pricing of stocks is tricky but based on sound principles. Bond pricing requires a clear understanding of the relationship between interest rates, time, and risk. The final topic covered in the course is derivative securities such as options. We will look at their pricing and discuss how they can be used in managing the risk.

REQUIRED COURSE MATERIALS

Summer 2016 Course Reader (Willoughby) available at the UCSD Bookstore

- The Big Short, **the Film** (based on the book by Michael Lewis)
- Liar’s Poker, the Book, Michael Lewis

OPTIONAL RESOURCES

- Bodie, Kane, and Marcus, Investments, any Edition, some on Reserve at Geisel.
- Investopedia.com; Glossary link on course webpage
- MSNmoney.com or Finance.yahoo.com

Bring your laptop to lectures.

COURSE GRADES

Course grades will be based on the following weighted components:

1) Exercises in the Reader	P/NP	10 percent
2) Participation		5 percent
3) Midterm exam		30 percent
4) Final exam		45 percent
5) <u>Liar's Poker</u> & Big Short Quiz		10 percent

COURSE POLICIES

Check your scores. Notify the Teaching Fellow or the professor of recording errors and follow-up until corrections are recorded. All documents will be destroyed two-weeks after initially recorded, so there will be no revisions to recorded scores after two weeks from initial recording.

Resources during exams. You may use your Reader including hand-written notes and *post-its* during exams, no additional pages. You may also use Excel® on a computer (laptop or iPad) – but no other program or connection.

Missed Midterm Exam. A missed midterm exams score will be rolled-over to the final exam. However, there must be timely notice that the cause for missing the assignment was unavoidable, but no details are necessary.

Sleeping In-class. Don't do it. There is no shame in fatigue, so if you become drowsy during lectures, stand at the back of the hall. Sleeping in public is unprofessional. It indicates a lack of discipline and is demeaning to yourself and your peers. There will be no warnings about this. If you fall asleep during lecture (even once), you will be given an "F" grade for the course, regardless of your scores before or after.

ACADEMIC INTEGRITY

Integrity of scholarship is essential for an academic community. As members of the Rady School, we pledge ourselves to uphold the highest ethical standards. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work.

Since we are all adults, I assume that we each know right from wrong. I expect you each to do your own work. It is extremely important to me that the playing field remain level for all. Do not seek (for yourself) or assist another student in acquiring an advantage or obtaining unearned credit on any required or graded activity. Even the smallest infraction will earn an "F" grade, so if you have any questions or concerns then *err* on the safe side and ask the professor.

The complete UCSD Policy on Integrity of Scholarship can be viewed at:

<http://senate.ucsd.edu/manual/Appendices/Appendix2.pdf>

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**