

ECON 173A -- SYLLABUS (WINTER 2012)

Foster, UCSD, January 2, 2012

Teaching Staff and Consultation Hours			
Name/Position	Times	Room	Contact Info
Carroll B. Foster (PhD/Lecturer)	MWF 10-10 ⁴⁵ am	Price Center East	cfoster@ucsd.edu
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Course Information

- Course Title: FINANCIAL MARKETS [n = 196]
Lecture: A00 (734794) – MWF, 9-10 am, CENTR 115
Discussion sections: A01 – T, 8-9 pm, CENTR 115 Disc. A02 -- T, 9-10 pm, CENTR 115
- Description: Intro to investment theory; financial markets; risk and return; capital asset pricing models; fundamental analysis; efficient markets; bond yields; term structure of interest rates.
- Prerequisite: Ec 100A; Ec 120B or Math 181A; Math 20F (linear algebra)
- Course webpage: <http://Ted.ucsd.edu> (formerly WebCT)

Books and Materials

- Bodie/Kane/Marcus, *Investments* (9th ed.); and *Solutions Manual*. **[Required; optional]**
- Michael Lewis, *The Big Short: Inside the Doomsday Machine*, Norton (2010). CDS and CDO stories.
- Justin Fox, *The Myth of the Rational Market*, Harper Collins (2009). The demise of the EMH.
- Burton Malkiel, *A Random Walk Down Wall Street*, Norton (1999). Defense of the EMH.
- Taleb, *The Black Swan*, Random House (2007). Everything you know is wrong.
- J. K. Galbraith, *A Tenured Professor*, Mariner Books (1990). A good novel about short selling.

Course Outline and Reading List -- BKM 9 th		
Top 1	INTRO TO FINANCE & INVESTING	Ch. 1, 3
Top 2	PERSONAL FINANCE & TVM (not tested)	§5.2
Top 3	FINANCIAL SECURITIES	Ch. 2, 4; §14.1
Top 4	RISK & RETURN	Ch. 5, §6.1 [omit §5.9]
Top 5	MODERN PORTFOLIO THEORY	Ch. 6 - 7 [omit §7.5]
Top 6	CAPITAL ASSET PRICING MODEL	Ch. 8-9
Top 7	STOCK ANALYSIS & THE EMH	Ch. 11; §13.1; §18.1 - 18.4
Top 8	BONDS & INTEREST RATES	Ch. 14 - 15; §16.1
Top X	FINANCIAL CRISIS OF 2008	§1.7; pp. 35, 39-41, 468-71

Tentative Tuesday Discussions							
Wk	Date	Subject	Reading	Wk	Date	Subject	Reading
1	Jan 10	PV and discounting	Top 2	6	Feb 14	Midterm review	None
2	Jan 17	Personal finance	Top 2	7	Feb 21	Midterm answers	Top 6
3	Jan 24	Problem solving	Top 3	8	Feb 28	Problem solving	Top 6-7
4	Jan 31	Problem solving	Top 4	9	Mar 6	Financial crisis	Top X
5	Feb 7	EPF with EXCEL	Top 5	10	Mar 13	Bond Yields	Top 8

Calendar

- Change grade option or drop w/o “W” thru F, 3 FEB; drop w/o “F” thru F, 9 MAR
- Holidays: Monday, 16 JAN (MLK); Monday, 20 FEB (Presidents’ Day)
- Midterm: Wednesday, 15 FEB, in class
- Final: Wednesday, 21 MAR, 8-11 am, in CENTR 115 or _____

Examinations and Grading

- Midterm = 100 points; cumulative (COMPREHENSIVE) final = 300. Grades will be curved.
- There is one homework assignment, using linear algebra and EXCEL. Failure to complete this assignment will lower your course grade by one whole letter!
- Exams are open book/notes; calculator required.
- If you arrive late to an exam, I will allow you to take the exam in the time that remains *as long as no one has turned in an exam and left the room*. Once a classmate has turned in an exam, you will not be allowed to begin the exam and will get a zero.
- No bathroom breaks during midterms. One person at a time during finals; you will be escorted by a TA, with whom you will leave your exam paper.
- Regrade period for midterm is 1 week after papers first returned in class.
- No rescheduled or make-up exams. You MUST take final with the rest of the class on schedule during finals week. (Make travel plans accordingly; if you will have too many finals on one day, drop one course.) If you miss a midterm for a verifiable medical, legal or sports reason, your course grade will be your grade on the final. Notify me promptly that you will miss the midterm or you will get a zero. Unexcused absences also result in a zero.

Study Tips

- Attend class, and bring my lecture notes with you. Read appropriate sections of the book AFTER I lecture on the material. Do practice problems at the end of my lecture topics.
- Consult the folder of recent exams at Ted, to get a feel for the format of my tests.
- There are usually a lot of problems at the ends of chapters of textbooks. Often, the answers are provided for the even-numbered or odd-numbered ones.
- READ THE BOOK! It was written by teachers who want to help you learn this subject.

My Pet Peeves

- This is not an on-line class. If you don’t plan to come to lecture, please drop the course.
- My view of grades is that they certify attainment of a certain level of competence and expertise in a subject. They are a reward for achievement, not effort. I am offended when students ask for a higher grade because they “need” a better mark. I don’t honor such requests. Would you like to go into surgery knowing that your doctor got thru med school by begging for passing grades?
- I give multiple versions of tests several times each year. What would you do with a student who had the right answers for the OTHER version of the test?
- A lot of cheating takes place during the last few minutes of an exam, when papers are handed in. In Spring 2010, four students handed in their midterms after I declared “pencils down,” and 3 of them subsequently got caught cheating on the final -- so I know what I am talking about! If you don’t hand your exam in when I call “Time,” I reduce your score by half.
- In Fall 2011, a lot of cheating by students purportedly on “bathroom break” was reported. You may not leave the room in during a midterm, and will be escorted by a TA during a final.