ECON 174 -- SYLLABUS (Winter 2015)
Foster, UCSD, January 26, 2015

"All of life is the management of risk, not its elimination."
Walter Wriston (former CEO of CitiGroup)

Teaching Staff and Consultation Hours			
Name/Position	**Times**	**Room**	**Contact Info**
Carroll B. Foster (PhD/Lecturer)	MWF 9-10 am	CENTER @ coffee cart	cfoster@ mail.ucsd.edu
Zhenting Sun ½	Th, 11-1 pm	ECON 115	zhs004 @ ucsd.edu
Mike Wither R	n/a	SEQ 228	mwither @ ucsd.edu

Course Information
- Course title: FINANCIAL RISK MANAGEMENT (ID = 826619)   [n = 146]
- Lecture A00 – MWF, 11-11^{50} am, CENTER 214
- Description: Trading in derivatives (options/futures/swaps); theory of futures and option pricing; use of derivatives to hedge risk factors (*e.g.*, price, exchange rate, interest rate risk).
- Prerequisite: Ec 173A

Books and Materials
- Hull, *Fundamentals of Futures and Option Markets*, 8th ed., Prentice Hall. [Required]   (There is an optional solutions manual to go with this book.)
- Bodie/Kane/Marcus, *Investments*, 10th ed. [From Ec 173A; required][1]
- Lecture notes at course webpage: *http://ted.ucsd.edu*
Some Suggested Reading
- Bernstein, *Against the Gods*, Wiley (1998). History of risk management and probability.
- Taleb, *The Black Swan*, Random House (2007). Everything you know is wrong.
- Michael Lewis, *The Big Short: Inside the Doomsday Machine*, Norton (2010). CDS and CDO stories.

Calendar
- Holidays: Monday, 19 JAN (MLK); Monday, 16 FEB (Presidents' Day)
- Midterm: Wednesday, 11 FEB, in class
- Final: Monday, 16 MAR, 11^{30}-2^{30} pm, in _____

Course Outline & Reading List		
Topic	**Hull 8th**	**BKM 9th**
INTRO & REVIEW	Ch. 1	§2.5
FUTURES I -- MARKETS & TRADING	Ch. 2	§22.1–22.2
FUTURES II – HEDGING & STRATEGIES	Ch. 3	§22.3; §23.1-23.2
FUTURES III – FUTURES PRICING	Ch. 5	§22.4-22.5; §23.5
OPTIONS I -- MARKETS & STRATEGIES	Ch. 9, 11	Ch. 20
OPTIONS II – OPTION PRICING	Ch. 10, 12-13	Ch. 21
INTEREST RATE RISK	Ch. 4, 6-7	Ch. 14-15; §16.1; §23.3-23.4

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[1] Any recent edition from the 7th will do.

Examinations and Grading
- Exams are open notes/closed book. A calculator is required (no laptops). YOU MUST BRING A VALID PHOTO ID TO ALL EXAMS.
- Midterm = 50 points; comprehensive final = 150. Regrade period is 1 week after papers first returned in class.
- No bathroom breaks during midterms. One person at a time during finals; leave paper with TA.
- If you arrive late to an exam, I 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 rescheduled or make-up exams. You MUST take the final with the rest of the class on schedule during finals week. Plan your schedule accordingly. I have to give midterms and finals in three classes and I will have no flexibility whatsoever.

Study Tips
- Attend class; bring notes posted at TED. Read the appropriate sections of the book AFTER I lecture on the material. Do practice problems at the end of my lecture notes and in the book.
- READ THE BOOKS! They were written by teachers who want to help you learn this subject.
- This is not an on-line class. If you don't come to the lectures you will miss some material and be at a disadvantage on the exams.

About Cheating
1. There is a LOT of it at UCSD (9 cases on my Winter 2014 Ec 120C, 23 in Spring 2014 Ec 120B, and some recent instances of cell phone cheating).
2. I hate it!
3. I routinely give multiple versions of tests. Only the TAs know which version you have.
4. If I suspect a violation of academic integrity, I withhold your score and/or grade and send your paper to AIC for resolution. AIC will contact you and tell you what to do.
5. If you are found guilty by AIC, they will impose penalties, and I will give you an F in the course.
6. Honest students are put at a disadvantage by cheating students, and I don't like that. Hence, my exam rules and restrictions.