Fall 2003

Prof. Sule Akkoyunlu Economics 175

FINANCIAL INVESTMENTS

Course Information

Lectures: MWF, 13.00-13.50 pm, Center Hall, 101 or 15.00-15.50 pm, Peterson Hall, 102 Office Hours: MWF, 14.00-15.00 in Econ 109 or after the Lectures. These will be extended before the midterm and final exams. You can also reach me via email, sakkoyun@weber.ucsd.edu.

<u>Coverage</u>: Topics of interest to personal and professional investors – consumer finance, financial assets, portfolio theory, efficient markets.

Prerequisites: Principles of Economics; calculus; statistics.

Calendar

Holiday: 11 November, 27-28 November Midterm 1: Monday, 27 October Midterm 2: Monday, 17 November Final: 8-13 December

Required Text and Teaching Materials

Zvi Bodie, Alex Kane, and Alan J. Marcus, *Essentials of Investments*, 5th Edition. Irwin 2004.

Burton Malkiel, A Random Walk Down Wall Street, Norton, 1999.

Martin Gruber, Another Puzzle: The Growth in Actively Managed Mutual Funds, Journal of Finance, 1996, pages 783-810.

Gary P. Brinson, L. R. Hood and G. L. Beebower, *Determinants of Portfolio Performance*, Financial Analysts Journal, 1986, pages 39-44.

Teaching Assistants

Lone Christiansen	Econ Room: 126
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Young Do Kim	Econ Room: 122
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Topics and Readings

Most readings are from the text by Bodie, Kane and Marcus, but some notes and materials on current issues will be distributed in the class. You should follow the financial news and read The Wall Street Journal.

Outline/Reading

WEEK 1:

I. Introduction to Financial Markets and Instruments

A. The Investor's Environmentch. 1
WEEK 2:
B. Financial Markets and Instrumentsch. 2
WEEK 3:
C. How Securities are Tradedch. 3
D. Mutual Funds and Other Investment Companiesch. 4
WEEK 4:
E. Investors and the Investment Processch. 17
F. Risk and Risk AversionLecture Notes
WEEK 5:
II. Portfolio Theory
A. Risk and Returnsch. 5
B. Efficient Diversificationch. 6
WEEK 6:
C. Asset Pricing Modelsch. 7
III. Efficient Markets
A. The Random Walk Model, in S. E. Landsburg, The Armchair Economist,
pages 188-196.
WEEK 7:
B. Efficiency of Financial Marketsch. 8
C. Performance Evaluation and Active Portfolio Managementch. 20,
M. Gruber and Brinson et. al.
WEEK 8:
IV. Fixed Income Securities
A. Bond Prices and Yieldsch. 9
B. Managing Fixed-Income Investmentsch. 10
WEEK 9:
V. Derivative Assts: Options and Futures
A. Option Marketsch. 14
B. Option Pricingch. 15
WEEK 10:
C. Future Marketsch. 16

Examinations and Grading There will be four graded problem sets, two midterm exams and one final exam. Problem Sets: 25% Mid Term 1: 20% Mid Term 2: 20% Final: 45%