Professor Ivana Komunjer ECONOMICS

Econ 175: Financial Investments

Class Web-page:

http://econ.ucsd.edu/~ikomunje/ec175course.htm

Class Time:

Tuesday & Thursday, 12:30 PM - 1:50 PM in Center Hall 101 (see weekly schedule)

Problem Sessions:

Tuesday & Thursday, 5:30 PM – 6:50 PM in York 2622 (see weekly schedule)

Office Hours:

Regular office hours are: Monday, 9:00 AM – 10:30 AM Econ 122, Young Do Kim [ydkim@ucsd.edu] Tuesday, 3:45 PM – 5:15 PM, Econ 116, Daniel Lima [dflima@ucsd.edu] Wednesday, 11:00 AM – 12:30 PM, Econ 124, Weiwei Chen [w1chen@econ.ucsd.edu] Thursday, 11:00 AM – 12:00 noon, Econ 226, Prof. Ivana Komunjer [komunjer@ucsd.edu] Thursday, 3:45 PM – 5:15 PM, Econ 115, Hiroaki Kaido [hkaido@ucsd.edu]

During study periods (*Week 5* and *Week 11*) there will be extra office hours to help you prepare for exams: Monday, 9:00 AM – 11:30 AM, Econ 122, Young Do Kim [ydkim@ucsd.edu] Tuesday, 3:45 PM – 6:15 PM, Econ 116, Daniel Lima [dflima@ucsd.edu] Wednesday, 10:00 AM – 12:30 PM, Econ 124, Weiwei Chen [w1chen@econ.ucsd.edu] Thursday, 11:00 AM – 12:00 noon, Econ 226, Prof. Ivana Komunjer [komunjer@ucsd.edu] Thursday, 3:45 PM – 6:15 PM, Econ 115, Hiroaki Kaido [hkaido@ucsd.edu]

E-mail Policy:

If you have questions about lecture notes/problem sets, the problem sessions and office hours are here for you to ask those. We prefer answering your questions in person so please refrain from e-mailing us.

Recommended texts:

Investments, by Zvi Bodie, Alex Kane and Alan J. Marcus, Irwin McGraw-Hill. *Investments*, by Charles P. Jones, John Wiley & Sons, Inc. *Options, Futures and Other Derivatives*, by John C. Hull, Prentice Hall.

Overview:

This course is an introduction to financial markets and the corporate management. The aim is to provide a basic understanding of the important financial assets available in the capital markets as well a basic knowledge of corporate financial management problems. The primary goal of this course is to impart the knowledge to allow you to intelligently solve practical business problems and/or pursue with more advanced studies in finance. To achieve this goal, it is crucial that you have a sound understanding of finance theory. As such, the course will be theoretical in nature, often requiring rigorous quantitative analysis.

Pre-requisites:

Econ 120A - Econometrics

A good knowledge of probability theory and statistics is essential for understanding finance. All Econ 175 students are expected to be familiar with notions such as: random variable, stochastic process, filtration, martingale, distribution function, expectation, variance, covariance. For those of you who hesitate about any of the above, make sure you read the Probability Theory Review (c.f. lecture notes for Econ 175). Alternative reference is Lectures in Elementary Probability Theory and Stochastic Processes by Falmagne, Jean-Claude, McGraw-Hill, 2003, ISBN: 0072448903.

An introductory course in Economics is strongly recommended though not officially required as a pre-requisite for Econ 175. Students not familiar with microeconomic concepts such as: consumer choice, classical demand theory, production, choice under uncertainty, competitive markets or general equilibrium under uncertainty are advised to revise their course choice strategy and/or do some intensive reading in Microeconomic Theory at the beginning of the course (e.g. Ch 1-6; 10; 19 in Microeconomic Theory by Andreu Mas-Colell, Michael D. Whinston and Jerry R. Green, Oxford University Press, 1995, ISBN: 0195073401).

Exam Policy:

The midterm and final must be taken on the scheduled dates. The only exceptions allowed are:

(1) officially sanctioned university events;

(2) unforeseen and officially documented illness, accident or family crisis.

The midterm exam is in-class and is 1h20min long; the final exam is a 3h exam. No textbooks/lecture notes are allowed during midterm/final exam. However, you may use a hand-written 1 (one) page "cheat-sheet" for your midterm exam; to that sheet you can add an additional page for your final exam.

Midterm Exam (Chapters 1 - 9):	Thursday, October 27, 12:30 PM – 1:50 PM
Final Exam (Chapters 1 - 19):	Wednesday, December 07, 11:30 AM – 2:30 PM

Grading Policy:

Your final grade will be determined by your performance on the midterm exam and the final exam. The actual percentages are:

Midterm Exam	35%
Final Exam	65%

Additional material:

Every participant should have a scientific calculator performing basic mathematical operations at her/his disposal. No specific financial calculator is required for this course.

Readings:

You should always reinforce the lectures by using the suggested textbook material. You will notice that some important topics will be covered in great detail in class (e.g., CAPM, options). In this case the textbook readings simply reinforce the lectures. Since time does not allow us to cover most topics in this way, the suggested textbooks present some of the material that is not covered during lectures. You are responsible for all the assigned material covered in the lecture notes, regardless of whether I have time to cover it in class. Reading ahead is encouraged, as it will aid your understanding of the material presented in class. Re-reading after class is also encouraged, as it will help solidify the new concepts just presented.

Problem Sessions:

The problem sets related to the covered material will be worked during the problem sessions of the week they are presented in class. Participation in problem sessions is not compulsory though strongly advised as:

(1) your TA will cover some of the material not presented in class,

(2) you will be solving problem sets which are closely related to the contents of your midterm/final exam,

(3) you can ask questions related to the problem set in class.

There are two 1h30min problem sessions covering the same content offered every week so that you can choose the one which best suits your schedule. Additional problems can be found at the end of every chapter of the recommended textbooks. If you are at all concerned about this class, I strongly suggest that you always participate in the problem sessions.

Weekly Schedule

Classes and	Classes and Covered Topics:				
WEEK	SESSION	DATE	COURSE TITLE / CHAPTER	PROBLEM SET	
WEEK0				n/a	
	Session 1:	Thursday, Sep 22	Introduction to the financial environment / Ch 1	11/ u	
		T 1 C 27			
WEEK 1	Session 2:	Tuesday, Sep 27	Financial Markets / Ch 2		
WEEK I	Section 2:	Thursday, Son 20	Financial Instruments / Ch 2	n/a	
	Session 5.	Thursday, Sep 29	Financial Instruments / Cli 5		
	Session 4.	Tuesday Oct 04	Fixed Income I / Ch 4		
WEEK 2		1 acsauj, 0 cc 0 :		Problem Set 1	
	Session 5:	Thursday, Oct 06	Fixed Income II / Ch 5		
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	Session 6:	Tuesday, Oct 11	Options I / Ch 6		
WEEK 3				Problem Set 2	
	Session 7:	Thursday, Oct 13	Options II / Ch 7		
	G : 0	T 1 0 (10			
WEEK A	Session 8:	Tuesday, Oct 18	Options III / Ch 8	Duchlam Sat 2	
WEEK 4	Session 0:	Thursday Oct 20	Options $W/Ch \theta$	Problem Set 5	
	Session 9.	Thursday, Oct 20			
	Study Period				
WEEK 5				Problem Set 4	
	Session 10:	Thursday, Oct 27	Midterm exam		
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	Session 11:	Tuesday, Nov 01	Portfolio Choice Theory I / Ch 11		
WEEK 6		I		Problem Set 5	
	Session 12:	Thursday, Nov 03	Portfolio Choice Theory II / Ch 12		
	G : 12	T 1 N 00			
WEEV 7	Session 13:	Tuesday, Nov 08	Portfolio Choice – Application / Ch 13	Droblam Sat 6	
WEEK /	Session 14:	Thursday Nov 10	CAPMI/Ch14	Floblenn Set 0	
	36551011 14.	Thuisday, Nov 10			
	Session 15:	Tuesday, Nov 15	CAPM II / Ch 15		
WEEK 8				Problem Set 7	
	Session 16:	Thursday, Nov 17	CAPM III / Ch 16		
	Session 17:	Tuesday, Nov 22	Market Efficiency / Ch 17		
WEEK 9				Problem Set 8	
Thursday November 25, Thanskgiving Holiday					
	a · 10				
WEEV 10	Session 18:	Tuesday, Nov 29	Net Present Value / Cn 18	Drohlam Cat 0	
WEEK 10	Section 10:	Thursday, Dag 01	Corporate Einange / Ch 10	Problem Set 9	
	Session 19:	Thursday, Dec 01	Corporate Finance / Cn 19		
WEEK 11	Sinay I Criba			n/a	
	Session 20:	Wednesday, Dec 07	Final exam		

Problem Sessions:

WEEK	PROBLEM SET	DATE	TA / LOCATION			
WEEKO						
WEEK0	n/a	Thursday, Sep 22	n/a			
	n/a	Tuesday, Sep 27	n/a			
WEEK 1						
	n/a	Thursday, Sep 29				
	Duchlam Cat 1	Tuesday, Oct 04				
WEEK 2	Problem Set 1:	Tuesday, Oct 04	Weiwei Chen [w1chen@econ.ucsd.edu]			
	Problem Set 1:	Thursday, Oct 06	5:30 PM – 6:50 PM in York 2622			
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	Problem Set 2:	Tuesday, Oct 11	Voung Do Kim [udkim@uosd odu]			
WEEK 3			5.30 PM = 6.50 PM in York 2622			
	Problem Set 2:	Thursday, Oct 13				
	Duchlass Cat 2	Tuesday Oct 19				
WEEK A	Problem Set 5:	Tuesday, Oct 18	Weiwei Chen [w1chen@econ.ucsd.edu]			
WEEK 4	Problem Set 3.	Thursday Oct 20	5:30 PM – 6:50 PM in York 2622			
		Indibiday, Oct 20				
	Problem Set 4	Tuesday, Oct 25	Voung Do Kim [udlim@uood odu]			
WEEK 5			= 5.30 PM = 6.50 PM in Vork 2622			
	Problem Set 4	Thursday, Oct 27	5.50 TW 0.50 TW III TOIK 2022			
		T 1 N 01				
WEEK 6	Problem Set 5	Tuesday, Nov 01	Weiwei Chen [w1chen@econ.ucsd.edu]			
WEEK 0	Problem Set 5	Thursday Nov 03	5:30 PM – 6:50 PM in York 2622			
		Indibiday, 100, 00				
	Problem Set 6	Tuesday, Nov 08	Voung Do Kim [udkim@uosd.adu]			
WEEK 7			5:30 PM = 6:50 PM in York 2622			
	Problem Set 6	Thursday, Nov 10	5.50 TW 0.50 TW III TOR 2022			
	Duchlass Cat 7	Tuesday New 15				
WEEK 8	Problem Set 7:	Tuesday, Nov 15	Weiwei Chen [w1chen@econ.ucsd.edu]			
WEEK O	Problem Set 7	Thursday, Nov 17	5:30 PM – 6:50 PM in York 2622			
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WEEK 9	Problem Set 8:	Tuesday, Nov 22	Voung Do Vim Indkim Quand adul			
			5.30 PM = 6.50 PM in Vork 2622			
	Thursday Nov 25, Th	anskgiving	5.50 TWT 0.50 TWT III TOIR 2022			
WEEK 10	Problem Set 9	Tuesday, Nov 29	Weiwei Chen [w1chen@econ.ucsd.edu]			
	Problem Set 9	Thursday Dec 01	5:30 PM – 6:50 PM in York 2622			
	1 Ioolom Set /		1			
WEEK 11	n/a					
			n/a			
	n/a	Wednesday, Dec 07				