

## Econ 173A: Financial Markets

**WebCT course page:**

<a href="https://webct6web.ucsd.edu">https://webct6web.ucsd.edu</a>
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**Class Time:**

Monday, 5:00 PM – 7:50 PM in Ledden Auditorium (LEDDN) (see weekly schedule)

**Discussion Sessions:**

Wednesday, 5:00PM – 5:50 PM (see weekly schedule) Ledden Auditorium (LEDDN)

Thursday, 6:00PM – 6:50 PM (see weekly schedule) Ledden Auditorium (LEDDN)

**TAs and Office Hours:**

Professor Komunjer, Monday 4:00 PM – 5:00 PM in ECON 226

Benjamin Fissel, Thursday 10:30 AM – 12:00 noon in Sequoyah Hall SH 228

Hiroaki Kaido, Friday 3:30 PM – 5:00 PM in Sequoyah Hall SH 232

TBA

**E-mail Policy:**

If you have questions about class material/lecture notes/problem sets or any other comments/suggestions related to the class, you can e-mail us at [econ173a@ucsd.edu](mailto:econ173a@ucsd.edu). We shall do our best to respond to you promptly. Please be advised that we created the discussion sessions and office hours so we can answer your important and immediate questions in person.

**Required text:**

*Investments*, by Zvi Bodie, Alex Kane and Alan J. Marcus, Irwin McGraw-Hill.

**Recommended texts:**

*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 100A - Microeconomics A*

An introductory course in Economics is required as a pre-requisite for Econ 175. Students should refresh their knowledge of important microeconomic concepts such as: consumer choice, classical demand theory, production, choice under uncertainty, competitive markets or general equilibrium under uncertainty.

### *ECON 120A - Econometrics A, and ECON 120B - Econometrics B*

A good knowledge of probability theory, statistics and regression models is essential for understanding finance. All Econ 175 students are expected to be familiar with notions such as: random variable, distribution function, expectation, variance, covariance, linear regression model, heteroskedasticity, and serial correlation.

#### **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.

#### **Discussion 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 discussion 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.

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 discussion sessions.

#### **Exam and Grading Policy:**

The midterm and final exams must be taken on the scheduled dates. Both exams are graded out of 100 points—your letter grades are curbed. In case of absence during an exam, you will be assigned 0 points for this exam. The only exceptions are absences due to:

- (1) officially sanctioned university events;
- (2) unforeseen and officially documented illness, accident or family crisis.

The midterm exam is in class and is 2h 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 single-sided “cheat-sheet” for your midterm exam; for your final exam, you may use a hand-written 1 (one) page double-sided “cheat-sheet”.

Midterm Exam: **Monday, November 05, 5:00 PM – 7:00 PM**

Final Exam: **Thursday, December 13, 7:00 PM – 9:59 PM**

Your final grade will be determined by your performance on the midterm exam and the final exam. The actual formula according to which your grade is determined is:

$$\text{Max}\{(40\% \text{ of Midterm Exam} + 65\% \text{ Final Exam}), (100\% \text{ Final Exam})\}$$

## Weekly Schedule

WEEK	SESSION	DATE	COURSE TITLE	PROBLEM SET
WEEK 1			Introduction to the Financial Environment	n/a
	Session 1:	Monday, Oct 01		
			Financial Markets	
WEEK 2			Financial Instruments	n/a
	Session 2:	Monday, Oct 08		
			Fixed Income I	
WEEK 3			Fixed Income – An Application	Problem Set 1
	Session 3:	Monday, Oct 15		
			Fixed Income II	
WEEK 4			Options I	Problem Set 2
	Session 4:	Monday, Oct 22		
			Options II	
WEEK 5			Options III	Midterm Review
	Session 5:	Monday, Oct 29		
			Options IV	
WEEK 6				n/a
	Session 6:	Monday, Nov 05	<b>Midterm exam</b>	
WEEK 7			<i>No class due to Veterans Day Holiday</i>	Problem Set 4
	Session 7:	Monday, Nov 12		
			<i>Discussion Sessions still take place</i>	
WEEK 8			Portfolio Choice Theory I	Problem Set 5
	Session 8:	Monday, Nov 19		
			Portfolio Choice Theory II	
WEEK 9				Problem Set 6
	Session 9:	Monday, Nov 26	Portfolio Choice – Application	
WEEK 10			CAPM I	Final Review
	Session 10:	Monday, Dec 03		
			CAPM II	
WEEK 11				n/a
	<b>Final exam:</b>	Thursday, Dec 13	7:00 PM – 10:00 PM.	