

**ECON 174 – SYLLABUS (FALL 2009)**  
**Foster, UCSD, October 26, 2009**

<b>Teaching Staff and Consultation Hours</b>			
<b>Name/Position</b>	<b>Times</b>	<b>Room</b>	<b>Contact Info</b>
Carroll B. Foster, Ph.D. (Instructor)	MWF 10-10 <sup>50</sup> am	PRICE CENTER	(858) 534-7133 cfoster @ ucsd.edu
Ayelen Maria Banegas		SEQ 224	mbanegas @ucsd.edu

Course Information

- Lecture (A00): “Financial Risk Management” (659943): MWF, 11–11<sup>50</sup> am, CENTER 212
- Description: Trading in derivatives (options/futures/swaps); theory of futures and option pricing; use of derivatives to hedge risk factors (e.g., foreign exchange or interest rate risk).
- Prerequisite: Ec 173A
- Course webpage: <http://webct.ucsd.edu>

Books and Materials

- John C. Hull, *Fundamentals of Futures and Option Markets*, and *Solutions Manual and Study Guide*, both 6<sup>th</sup> ed., 2008. [Bookstore]
- Bodie, Kane and Marcus, *Investments*, 8<sup>th</sup> ed., 2009. [Bookstore (from Ec 173A)]
- Peter L. Bernstein, *Against the Gods*, Wiley, 1998. History of risk management. [Suggested]
- Justin Fox, *Myth of the Rational Market*, Harper, 2009. Failure of fin. theory. [Suggested]

Calendar

- Change grade option or drop w/o “W” thru F, 23 OCT; drop w/o “F” thru M, 30 NOV
- Holidays: W, 11 NOV (Veterans’ Day); Th-F, 26-27 NOV (Thanksgiving)<sup>1</sup>
- Midterm: Wednesday, 28 OCT, in class
- Final Exam: Tuesday, 8 DEC, 11<sup>30</sup>-2<sup>30</sup> pm, CENTER 212

Examinations and Grading

Midterm = 100 points; comprehensive final = 250. Exams open book and notes. Regrade period is 1 week after papers returned. No make-up/rescheduled exams.<sup>2</sup>

<b>Course Outline and Reading List</b>			
<b>Topic and Title</b>		<b>Hull 6<sup>th</sup></b>	<b>BKM 8<sup>th</sup></b>
Top 1	INTRODUCTION & REVIEW	Ch. 1	§2.5
Top 2	FUTURES MARKETS & TRADING	Ch. 2	§22.1–22.2
Top 3	RISK HEDGING WITH FUTURES	Ch. 3	§22.3; §23.1-23.2
Top 4	FUTURES PRICING THEORY	Ch. 5	§22.4-22.5; §23.5
Top 5	MANAGING INTEREST RATE RISK	Ch. 4, 6-7	§23.3-23.4
Top 6	STOCK OPTIONS	Ch. 8-12	Ch. 20-21

<sup>1</sup> NO CLASS ON WEDNESDAY BEFORE THANKSGIVING VACATION.

<sup>2</sup> Please note that you MUST take the final with the rest of the class on schedule during finals week.