

ECON 173A -- SYLLABUS (FALL 2010)

Foster, UCSD, November 1, 2010

Teaching Staff and Consultation Hours			
Name/Position	Times	Room	Contact Info
Carroll B. Foster (PhD/Lecturer)	MWF, 10-11 am	Price Center East	cfooster@ucsd.edu
Fan (Dora) Xia	T, 2-3 pm	SEQ 227	faxia@ucsd.edu
Ayelen Maria Banegas	M, 1-2 pm	SEQ 224	mabanegas@ucsd.edu

Course Information

- Course Title: FINANCIAL MARKETS (ID = 691058) [n=200]
 - Lecture A00 – MWF, 8-9 am, PEPPER CANYON 109
 - Discussion A01 – Th, 8-9 pm, LEDDEN AUDITORIUM
- Description: Intro to investment theory; financial markets; risk and return; capital asset and arbitrage pricing models; efficient markets; bond yields; term structure of interest rates.
- Prerequisite: Ec 100A; Ec 120B; Math 20F
- Course webpage: <http://webct.ucsd.edu>

Books and Materials

- Bodie/Kane/Marcus, *Investments* (8th ed.), and *Solutions Manual* (2009). [Required]
- Bernstein, *Against the Gods*, Wiley (1998). History of probability and risk.
- Burton Malkiel, *A Random Walk Down Wall Street*, Norton (1999). We are teaching the truth.
- Taleb, *The Black Swan*, Random House (2007). We are teaching lies.
- Mandelbrot/Hudson, *The (mis)Behavior of Markets*, Basic (2004). Getting risk right.
- J. K. Galbraith, *A Tenured Professor*, Mariner Books (1990). A good novel about finance.

Calendar

- Change grade option or drop w/o “W” thru F, 22 OCT; drop w/o “F” thru M, 29 NOV
- Holidays: Thursday, 11 NOV (Veterans); Th-F, 25-26 NOV (Thanksgiving)
- Midterm: Wednesday, 3 NOV, in class
- Final: Monday, 6 DEC, 8-11 am, in PEPPER CANYON 109

Examinations and Grading

- Midterm = 100 points; cumulative (COMPREHENSIVE) final = 300. Grades will be curved.
- Exams are open book/notes; calculator required. No bathroom breaks during 1-hour midterms. If you arrive late to an exam, I will 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 paper has been turned in, you will get a zero if you arrive late.
- Regrade period for midterm is 1 week after papers first returned in class.
- No rescheduled or make-up exams. You **MUST** take the final with the rest of the class on schedule during finals week. (Make travel/wedding plans accordingly, and if you are going to have too many finals on one day, drop one of the courses.) If you miss a midterm for a verifiable medical, legal or sports reason, your midterm grade will be your grade on the final. You must notify me promptly that you will miss the midterm or I will give you a zero. Unexcused absences also result in a zero.

Course Outline and Reading List -- BKM 7 th & 8 th		
Top 1	INTRO TO FINANCE & INVESTING	Ch. 1, 3
Top 2	PERSONAL FINANCE	(For your personal use)
Top 3	FINANCIAL SECURITIES	Ch. 2, 4
Top 4	RISK & RETURN	Ch. 5, §6.1
Top 5	MODERN PORTFOLIO THEORY	Ch. 6 - 7, §9.1
Top 6	ASSET PRICING MODELS (CAPM)	Ch. 8 - 10
Top 7	EFFICIENT MARKETS HYPOTHESIS	Ch. 11
Top 8	BONDS & INTEREST RATES	Ch. 14 - 16
Top 9	BEHAVIORAL FINANCE	Ch. 12 - 13

Tentative Discussion Schedule					
Wk	Subject	Reading	Wk	Subject	Reading
1	PV and discounting	Top 2	6	Problem solving	Top 5 - 6
2	Personal Finance	Top 2 - 3	7	Problem solving	Top 6
3	Personal Finance	Top 2 - 3	8	Problem solving	Top 7
4	Problem solving	Top 4	9	Beh. Finance	Ch. 12
5	Problem solving	Top 5	10	Beh. Finance	Ch. 13

Study Tips

- Attend class and take notes. Do the practice problems at the end of my lecture outlines. The answers are provided. If you can't do a problem, we will show you how during office hours.
- Consult the folder of old exam questions at WebCT. Even though I will not discuss these old exams (for a variety of reasons), they are still helpful in cluing you in on things you might not understand as well as you thought. Don't panic if you can't do every question, because the course has changed over the years. Some questions are not relevant for this course this term.
- There are usually a lot of problems at the ends of chapters of textbooks. Often, the answers are provided for the even-numbered or odd-numbered problems.
- Unless I specifically tell you otherwise, READ THE BOOK! It was written by a teacher who wants to help you learn this subject.
- If you start to get lost, see me or a TA. We can help! But don't wait until the final is 2 days away.

My Pet Peeves

- The UC may experiment with offering on-line courses, BUT THIS IS NOT ONE OF THEM. If you don't plan on coming to the lectures, please drop the course.
- My view of grades is that they certify attainment of a certain level of competence and expertise in a subject or technique. They are NOT a reward for effort, but rather for achievement. I am horribly offended when students beg me to raise a grade because they "need" a better mark. I do not honor such requests. Would you like to go under the anesthetic in the operating room knowing that your surgeon got thru medical school by begging for passing grades?
- I give multiple versions of tests several times each year. What would you do with a student who had the right answers for the OTHER version of the test?
- A lot of cheating takes place during the last few minutes of an exam, when papers are handed in. In Spring 2010, 4 students handed in their midterms after I declared "pencils down," and 3 of them subsequently got caught cheating on the final. So I know what I am talking about. If you don't hand your exam in when I call "Time," I will reduce your score by half.