

ECON 173A: FINANCIAL MARKETS

Summer Session 1 2014

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OFFICE HOURS: See Calendar - course webpage

COURSE OBJECTIVES

Finance & Investing is a practitioner's science and we emphasize the practical analysis inter-temporal of capital allocation. We need to finance different levels of consumption over long periods of time during which contemporaneously "earned" income is rarely sufficient. This means that thoughtful "borrowing" and "lending/investing" decisions are critical.

We will study financial markets – where borrowers *buy* capital and lenders *sell* capital – and the asset allocation models – applying risk-return trade-offs – that guide the efficient selection of financial securities.

How do we go from the theory to compute actual numbers using a combination of data and subjective judgment? The aim is to provide experience in applying techniques in common use in the portfolio management industry.

COURSE MATERIALS

- Bodie, Z., A. Kane and A.J. Marcus, 2014, Investments, 10th edition. McGraw-Hill Irwin.

We refer to this as BKM. This book provides a comprehensive coverage of a wide range of investment topics and you will be able to use this textbook as a reference for years after you have graduated.

- Twenty (20) 3x5 "white" index cards

COURSE GRADES

Course grades will be based on the following weighted components:

- Attendance (10%) – taken every class.
- Four Quizzes (7.5% each) Mondays weeks 2, 3, 4; 5.
- Final exam 55%
- Participation 5%.

Grades will be curved. A weighted final score of 90 points will earn a guaranteed "A". The class average less roughly ten percent of the class standard deviation will establish the lowest B-. 55 points will be required to pass the course.



Course Outline

<u>Week</u>	<u>Topic</u>	<u>Chapter</u>	<u>What To Do</u>
Week 1	The Investment Environment	1.1 to 1.8	Read casually
Week 1	Review Time Value of Money	Instructor's PPT slides	
Week 2	Bond Prices & Yields	14.1 to 14.4	Read carefully
	Concept checks	1 through 7	
Week 2	Term Structure of Rates	15.1 & 15.3	Read casually
	Concept checks	1, 2, 3	
Week 3	Equity Valuation	18.1 to 18.4	Read carefully
	Concept checks	1, 2, 3	
Week 3	Financial Statement Analysis	19.1 to 19.4	Read casually
	Concept checks	1, 2, 3	
Week 4	Portfolio Theory	6.1 to 6.4	Read carefully
	Concept checks	4 and 6	
Week 5	Portfolio Theory	7.1 and 7.2	Read carefully
	Concept checks	2	
Week 5	Options	21.1	Read casually
	Concept checks	1 and 2	

STUDENTS WITH DISABILITIES

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the [OSD website](#) for further information or contact the Office for Students with Disabilities at (858) 534-4382 or osd@ucsd.edu.

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