SYLLABUS

FINANCIAL MARKETS

ECON 173A

UCSD SUMMER SESSION II 2014

Instructor:	Brigitte Roth Tran, Sequoyah Hall 237, brothtran@ucsd.edu, Office hours: Fridays 9:30-11:00 AM Sequoyah Hall 244 **and** TBA
Teaching Assistant:	Michael Wither, Sequoyah Hall 228, mwither@ucsd.edu, Office hours: Tuesdays and Thursdays 3-4 PM
Lectures:	9:30 – 10:50 AM, Mondays-Thursdays, Sequoyah Hall 148
Discussion Section:	11:00 AM – 12:50 PM, Wednesdays, Sequoyah Hall 148
Class webpage:	ted.ucsd.edu
Prerequisites:	Econ 100A and Econ 120B or Math 181B; and Math 20F or 31AH

SPECIFIC LEARNING OUTCOMES

By the end of this course you will be able to:

- Understand financial news items
- Articulate trade-offs in financial decisions
- Analyze financial data using Excel
- Evaluate assets using basic financial theories
- Explain basics of how financial markets work
- (Get a job)

FORMAT AND PROCEDURES

Students are expected to **actively participate** in lectures and to arrive on time.

Students are also **strongly encouraged to ask questions** throughout the course and to work together on solving possible exam problems outside of class.

Lecture slides will be made available, but are ***not*** intended to replace note-taking.

Students are asked not to spend class time on personal electronics for non-course related activities. Those who do engage in these activities are asked to sit at the back of the class out of respect for other students.

Please keep background talking to a minimum during the course. Clarifying questions are best directed at the instructor for the benefit of the whole class.

This course designed to help students achieve the learning outcomes above with the following assumptions as a foundation:

- Low-stakes quizzing helps students learn.
- Student participation through i>clickers, student questions, and exams improves teaching.
- Learning how to apply knowledge and studying to understand concepts intuitively is more valuable to students long-term than regurgitating material as presented in the course.

COURSE REQUIREMENTS

1. Class attendance and participation policy: Students are expected to **actively participate** in lectures. Students are expected to use **i>clickers** in class. There will be i>clicker questions at the start, end, and throughout each lecture. Absences will only be excused with a doctor's note or for extreme extenuating circumstances that have been pre-approved by the instructor.
2. Course readings:
    a. *Investments* by Bodie, Kane, Markus (10th edition, ISBN: 978-0-07-786167-4 OR AN EARLIER EDITION) – **required**. This book is available at the bookstore or on reserve at Geisel Library.
    b. *The Black Swan: The Impact of the Highly Improbable* by Nassim Taleb – completely optional and highly recommended (see also *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets* by Nassim Taleb)
    c. *Flash Boys* by Michael Lewis – completely optional and highly recommended (and fun)
    d. *The Wall Street Journal* – optional
    e. Note that www.investopedia.com is also a useful reference for topics covered in this course.
3. Case Study: Students are expected to complete a case study project in **Excel**. There will be a few course lectures during which we will do case studies in class. Students are strongly encouraged to bring laptops with Excel to these lectures. Students who don't have laptops with Excel may share with other students. This project is discussed further in the Grading Procedures section below.
4. Exams: There will be a midterm and a final, discussed in more detail below.

GRADING PROCEDURES

Final course grades will be based on the following and will be curved:

1. i>clicker participation – 5%
2. Excel case study – 30%
3. Midterm exam – 25%
4. Final exam – 40%

i>clicker Participation

Participation in the answering of lecture i>clicker questions will be tracked and graded, but no points will be assigned for correct answers. Each question will be weighed equally within a lecture and each lecture will be weighed equally within the course.

Example: The table below shows how the participation score would be calculated for a one-week course. The final score for this student would be 0.66. If the absence on Wednesday was an excused one (for a verifiable medical/legal/sports reason), then the score would be calculated by averaging the Monday, Tuesday, Thursday scores, resulting in a participation score of 0.88.

Day	Total Questions in Lecture	Questions you answered	Points
Monday	6	5	5/6 = 0.83
Tuesday	5	4	4/5 = 0.80
Wednesday	6	0	0/6 = 0.00
Thursday	6	6	6/6 = 1.00
Average Points			0.66

Excel Case Study

Every student will perform an individualized Excel Case Study project. The purpose of the case study is for students to apply course material and to develop their Excel skills. The case study also covers material that will be on the midterm and final and therefore should help students perform better on the exams. The Excel skills required to complete the Excel Case Study project will be covered in class on Case Study lecture days. The Excel Case Study project will be graded for completeness, accuracy, and quality of analysis. The project will consist of the following parts with corresponding due dates:

1. Choosing a firm to analyze – Due Wednesday, August 6, 2014
2. Estimating firm expected return and risk
3. Portfolio theory and CAPM analysis
4. Stock analysis

At the end of this project, students will have an extensive analysis Excel file that can serve as a useful reference for future Excel projects and as a demonstration of Excel and financial analysis skills for internships and jobs post-graduation.

Exams

There will be an in-class midterm on Thursday, August 21 and a cumulative final exam on Friday, September 5, from 8-11 AM.

- Both exams will be closed book and note.
- A **"cheat sheet"** of equations will be included at the back of each exam. This cheat sheet will be provided ahead of the exam so that students know what material they will have available to them during the exam.

- Student IDs will be checked during exams.
- Students **may not use financial or programmable (graphing) calculators** during exams. This generally excludes graphing calculators. A basic list of approved calculators will be provided, though students who are concerned may inquire at least one day in advance of an exam about models not included on the list.
- Exam questions will be drawn at random from the possible exam question packet provided to all students before the exam. Students are encouraged to use these questions to study. Students who can work through these questions have a good grasp of the material covered in this course. Memorizing answers to all of the questions is not a recommended strategy, as there will be too many questions to make this feasible. In addition, numbers used in questions, orders of choices, and other slight variations may be made to questions.
- Wednesday discussion sections will provide students with opportunities to review questions from the possible exam question packet. Students with additional questions may also attend office hours.
- **Partial credit** will be awarded for work shown on the exams. For questions involving significant calculations, points will be awarded for (a) setting up the problem correctly by showing which equations apply, (b) correctly showing which values are plugged into the equations, and (c) getting the right answer. Points will also be awarded if you get an incorrect answer and describe it as such with a brief explanation. If you argue that a correct answer is incorrect, you will lose points for doing so.
- **If you need to miss a midterm** for a verifiable medical/legal/sports reason, your midterm grade will be your grade on the final. Failure to notify me promptly that you must miss a midterm will result in a zero grade for that midterm. Unexcused absences will also result in a zero.
- **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 his/ her exam and left the room. Once a classmate has turned in his/her exam, you will earn a zero on the test if you arrive late.

ACADEMIC INTEGRITY

Each student is expected to abide by the UCSD Policy on Integrity in Scholarship.

You are encouraged to study together and to discuss with other students information and concepts covered in the lecture and discussion sections. However, students are expected to do their own work, especially when it comes to the Excel Case Study. You may work side by side and discuss your answers, however, you may not have in your possession a soft- or hard-copy of all or part of work done by someone else, whether on a flash drive, as an email attachment, or otherwise. You must build your own Excel spreadsheets and write up your own responses to the questions.

You must do your own work during exams. Talking, discussion, or glancing at another student's test is not permitted during the exams. You may not bring in any outside material or refer to any personal electronics other than approved calculators during the exams. You will be required to place all personal belongings at the front of the class.

Students found guilty of academic dishonesty will earn a failing grade for the course. In addition, the Council of Deans of Student Affairs will impose a disciplinary penalty.

ACCOMMODATION FOR STUDENTS WITH DISABILITIES

If you have a documented disability, please come to talk to me as soon as possible so that I can make suitable accommodations for you. If you believe that you have a disability and desire accommodation, please register with the Office for Students with Disabilities.

TENTATIVE COURSE SCHEDULE

Numbers in parentheses indicate relevant chapters in *Investments* by Bodie, Kane, Markus (10th edition). More specific sections being covered will be provided over the course of the class.

Week	Monday	Tuesday	Wednesday	Thursday
1	• Introduction • Syllabus • Risk Aversion (6) • Risk-Free Asset (6)	• Risk & Return (5) • Portfolios (7)	• Efficient Portfolios and Diversification (6)	CASE STUDY
2	• Capital Market Equilibrium (7) • Optimal Portfolio Choice (7)	• The Capital Asset Pricing Model (CAPM) (9)	• CAPM (9)	CASE STUDY
3	• Stock Analysis (18)	• Efficient Market Hypothesis (11)	CASE STUDY	MIDTERM
4	• Bond Prices and Yields (14)	• Bond Prices and Yields (14)	• Term Structure of Interest Rates (15)	• Convexity (16) • Duration (16)
5	LABOR DAY HOLIDAY	• Indexes and other Financial Assets (2) • Trading on Margin (3)	• Financial Markets in Practice • Careers in Finance	• Final Review

TIPS FOR DOING WELL

- Attend class and discussion section regularly and pay attention. The i>clicker participation grade is intended to incentivize you to do this. I expect doing so will help your grades on the exams and case study project.
- Ask questions when you have them – during class, in discussion section, or during office hours.
- Attend office hours if you need additional help.
- Work through the possible exam question packet.