

## ECON 174 -- SYLLABUS (Spring 2018)

Foster, UCSD, April 3, 2018

*"All of life is the management of risk, not its elimination."*

Walter Wriston (former CEO of CitiGroup)

| Teaching Staff and Consultation Hours |                                      |          |                   |
|---------------------------------------|--------------------------------------|----------|-------------------|
| Name/Position                         | Times                                | Room     | Contact Info      |
| Carroll B. Foster<br>(PhD/Lecturer)   | MWF, 10 am<br>ECON 110C <sup>1</sup> |          | cfoster@ucsd.edu  |
| Asad Dossani                          | T, 10-11 am                          | ECON 115 | adossani@ucsd.edu |
| Yifei Lyu                             | Th, 4-5 pm                           | ECON 123 | ylv@ucsd.edu      |
| Jonathan Leganza (R)                  | n/a                                  | SEQ 238  | jleganza@ucsd.edu |

### Course Information

- Course title: FINANCIAL RISK MANAGEMENT
- Lecture A00 (937831) – MWF, 9-10 am, SOLÍS 104
- Prerequisite: Ec 173A

### Books and Materials

- Hull, *Fundamentals of Futures and Option Markets*, 8<sup>th</sup> ed., Prentice Hall. [Required]<sup>2</sup>
- Bodie/Kane/Marcus, *Investments*, 10<sup>th</sup> ed. [Required (any recent edition)]<sup>3</sup>
- Lecture notes, practice problems, old exams at course webpage: [TritonEd.ucsd.edu](http://TritonEd.ucsd.edu)

### Some Suggested Reading

- Bernstein, *Against the Gods*, Wiley (1998). History of risk management and probability.
- Taleb, *The Black Swan*, Random House (2007). Everything you know is wrong.
- Michael Lewis, *The Big Short: Inside the Doomsday Machine*, Norton (2010).

### Calendar

- Holiday: Monday, 28 MAY (Memorial Day)
- No class on Friday, 4 MAY
- Midterm: Friday, 11 MAY, in class
- Final: Wednesday, 13 JUN, 8-11 am, in SOLÍS 104

| Course Outline & Reading List         |                      |                              |
|---------------------------------------|----------------------|------------------------------|
| Topic                                 | Hull 8 <sup>th</sup> | BKM 9 <sup>th</sup>          |
| 1. INTRO & REVIEW                     | Ch. 1                | §2.5                         |
| 2. FUTURES I -- MARKETS & TRADING     | Ch. 2                | §22.1–22.2                   |
| 3. FUTURES II – HEDGING & STRATEGIES  | Ch. 3                | §22.3; §23.1–23.2            |
| 4. FUTURES III – FUTURES PRICING      | Ch. 5                | §22.4–22.5; §23.5            |
| 5. OPTIONS I -- MARKETS & STRATEGIES  | Ch. 9, 11            | Ch. 20                       |
| 6. OPTIONS II – OPTION PRICING THEORY | Ch. 10, 12–13        | Ch. 21                       |
| 7. INTEREST RATE RISK                 | Ch. 4, 6–7           | Ch. 14–15; §16.1; §23.3–23.4 |

<sup>1</sup> Let me know if you are coming to my office hour during the class or by email the day before. Try to be there at 10 am. I can stay until 10<sup>30</sup> if students are present. I can usually talk right after class outside Solís 104 also.

<sup>2</sup> There is an optional solutions manual to go with this book. Any recent edition will do.

<sup>3</sup> You should still have a recent edition from your Ec 173A class.

Examinations and Grading

- Midterm = 40 points; cumulative final = 80.
- Exams are open notes/closed book. That is, you may use my TRITONED lectures notes (on paper), and you may write on them. You may NOT consult old exams or Econ Tutor stuff during the exams. Bring stat tables from TRITONED, and a working calculator (any kind).
- 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 classmate has turned in an exam, you will not be allowed to begin the exam and will get a zero.
- If you miss the midterm for a **verifiable** sports/legal/medical reason, I will excuse you and base your grade on the final exam.
- No rescheduled or make-up exams, and no incompletes. You MUST take final with the rest of the class on schedule during finals week. Plan your schedule accordingly.
- The course is ultimately graded on a curve based on one recommended by the econ department. I don't know exactly what the curve will look like until after the finals are graded.

About Cheating

1. There is a LOT of it at UCSD. Honest students are put at a disadvantage by cheating students, and I hate that. Hence, my exam and scoring rules and restrictions.
2. I routinely give multiple versions of tests. Only the TAs know which version you have.
3. If I suspect a violation of academic integrity, I give you the negative of the question value. In extreme cases, I withhold your score and grade and send your paper to AIC for resolution. AIC will contact you and tell you what to do. Do not try to drop the course. If you are found not guilty, I will reenter your exam score. If you are found guilty, your college will impose penalties, and I give you an F in the course.