

ECON 174 – SYLLABUS (WINTER 2010)
Foster, UCSD, January 27, 2010

Teaching Staff and Consultation Hours			
Name/Position	Times	Room	Contact Info
Carroll B. Foster, Ph.D. (Instructor)	MWF 9 ¹⁰ - 10 am	M-o-M Coffee Shop	(858) 534-7133 cfoster @ ucsd.edu
Lucas Siga (TA)	W, 1 ³⁰ – 3 ²⁵ pm	SEQ 224	lsiga @ ucsd.edu

Course Information

- Lecture (Aoo): “Financial Risk Management” (670208): MWF, 8–8⁵⁰ am, CENTER 216
- 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 (old Ec 175) • Course webpage: <http://webct.ucsd.edu>

Books and Materials

- Chance/Brooks, *Intro to Derivatives and Risk Management*, 8th ed., South-Western, 2010. [Required]
- Hull, *Fundamentals of Futures and Option Markets*, 6th ed., 2008. [Optional]
- Bodie, Kane and Marcus, *Investments*, 8th ed., 2009. [Recommended]
- Bernstein, *Against the Gods*, Wiley, 1998. History of risk management.
- Mandelbrot/Hudson, *The (mis)Behavior of Markets*, Basic, 2004. Getting risk right.
- Taleb, *The Black Swan*, Random House, 2007. Everything you know is wrong.

Calendar

- Change grade option or drop w/o “W” thru F, 29 JAN; drop w/o “F” thru F, 5 MAR
- Holidays: Monday, 18 JAN (MLK); Monday, 15 FEB (my birthday)
- Midterm Exam: Friday, 19 FEB, in class
- Final Exam: Monday, 15 MAR, 8-11 am, CENTER 216

Examinations and Grading

Midterm = 100 points; comprehensive final = 250. Exams are open book and notes. Regrade period is 1 week after papers returned. No re-scheduled or make-up exams.¹

Course Outline and Reading List			
Topic	Chance 8 th	Hull 6 th	BKM 8 th
INTRO & REVIEW	Ch. 1	Ch. 1	§2.5
OPTIONS I -- MARKETS & STRATEGIES	Ch. 2, 6-7	Ch. 8, 10, 13, 23	Ch. 20
OPTIONS II -- PRICING THEORY	Ch. 3-5	Ch. 9, 11-12	Ch. 21
FUTURES I -- MARKETS & TRADING	Ch. 8	Ch. 2	§22.1–22.2
FUTURES II -- PRICING THEORY	Ch. 9-10	Ch. 5	§22.4-22.5; §23.5
FUTURES III – HEDGING & STRATEGIES	Ch. 11	Ch. 3	§22.3; §23.1-23.2
INTEREST RATE RISK	Ch. 12-13	Ch. 4, 6-7	§23.3-23.4

¹ Please note that you MUST take the final with the rest of the class on schedule during finals week.