

**ECON 174 -- SYLLABUS (Winter 2016)**  
**Foster, UCSD, January 20, 2016**

*"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 (PhD/Lecturer)	MWF 8-11 am, near PEPPER CANYON 106		cfoster@ mail.ucsd.edu
Yifei Lyu	Th, 3-4 pm	ECON 123	ylv@ ucsc.edu
Zhenting Sun (1/4)	F, 3-4 pm	ECON 115	zhs004@ ucsc.edu

Course Information

- Course title: FINANCIAL RISK MANAGEMENT (ID = 857654)
- Lecture A00 – MWF, 9-10 am, PEPPER CANYON 106
- Prerequisite: Ec 173A

Books and Materials

- Hull, *Fundamentals of Futures and Option Markets*, 8<sup>th</sup> ed., Prentice Hall. [Required] <sup>1</sup>
- Bodie/Kane/Marcus, *Investments*, 10<sup>th</sup> ed. [Required]<sup>2</sup>
- Course webpage: *TritonEd.ucsd.edu*
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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

- Holidays: Monday, 18 JAN, MLK; Monday, 15 FEB, Presidents Day
- Midterm: Wednesday, 10 FEB, 9-9:50 am, in PEPPER CANYON 106
- Final: Wednesday, 16 MAR, 8-11 am, in PEPPER CANYON 106 or \_\_\_\_\_

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

<sup>1</sup> There is an optional solutions manual to go with this book.

<sup>2</sup> You should still have a recent edition from your Ec 173A class.

Examinations and Grading

- Midterm = 50 points; cumulative final = 100; no homework.
- Exams are open notes/closed book; calculator required (no laptops or phones).
- 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.
- No bathroom breaks during midterms. One person at a time during finals; you will be escorted by a TA, with whom you will leave your exam paper.
- Regrade period for midterm is 1 week after papers first returned in class.
- No rescheduled or make-up exams. You **MUST** take final with the rest of the class on schedule during finals week. Plan your schedule accordingly. I have to give (and grade) 3 finals in three classes, so I will have no flexibility whatsoever.

About Cheating

1. There is a LOT of it! Honest students are put at a disadvantage by cheaters, and I hate that.
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 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.