

Financial Markets

Econ 173A, Winter 2021

As you all know, we are in the middle of a global COVID-19 pandemic, which has required dramatic changes to how we teach and learn. All instruction will be conducted remotely using Zoom and Canvas. Our hope and aim this quarter is to provide as high quality and intellectual experience for students as would have been the case if we were to have been able to meet in person. Of course, there will be some trial and error and we will need to make adjustments along the way. Not everything we do is going to work and we need your cooperation.

The information below should be considered extremely tentative, and will likely change depending on our pace and situation through the quarter. I reserve the right to modify this information as needed. Please check the syllabus and Canvas announcements regularly for updates.

Course description: The main goal of this course is to expose students to the fundamental concepts of investment theory and financial markets. This will include the important financial assets available in the capital markets, an introduction to portfolio theory, asset pricing, and the analytical tools of portfolio management. In addition, discussion of no-arbitrage arguments as well as investors' portfolio decisions and the basic risk-return trade-off established in market equilibrium will be discussed throughout the course.

Prerequisites: Econ 100A and Econ 120B or Math 181B; and Math 18 or 31AH.

Lectures: MWF 2:00 pm – 2:50 pm @ <https://ucsd.zoom.us/j/97874720007>

Instructor: Dr. Munpyung O

- Office hours: 10:00 – 11:00 am on Wednesdays, and by appointment.
@ <https://ucsd.zoom.us/j/6571145643>.
- email: mlo@ucsd.edu

Please use your **UCSD email** and include “**Econ 173A**” in the subject line of your email.

Teaching assistant: Bae, Hannah, hbae@ucsd.edu

- TA discussion sections: 5:00 – 5:50 pm and 6:00 – 6:50 pm on Tuesdays.
- The first discussion sessions will take place on January 12th.
- TA's office hours: 9:00 - 10:00 am on Mondays and 5:00 - 6:00 pm on Fridays
@ <https://ucsd.zoom.us/j/94222823777>

Lectures and discussion will be delivered remotely. Both lectures and TA's discussion sections will be recorded and made available to students asynchronously. It is important to come to every lecture. There is a weekly discussion section for this course. You are **strongly** recommended to attend it since the TAs will review material covered in class, and also introduce material not covered in class and go over practice problems, the kind of problems you may encounter on exams. You will also be able to ask the TAs any question about the material covered in the lectures during the discussion section.

Course web page is available at <http://canvas.ucsd.edu/>. It will include information relevant to the course, such as syllabus, announcement, problem sets and more. **You should check this page regularly.**

Use of course materials: Class material includes the video lecture recordings, lecture slides, the problem sets, the problem set solutions. They are all subject to copyright. They are designed for you and for you only. You cannot share them without permission with anyone outside of the course. If you need that permission please email me about it.

Textbook: Zvi Bodie, Alex Kane and Alan J. Marcus (BKM), *Investments*, 12th edition, McGraw-Hill.

- Your digital course materials are provided by the UC San Diego Bookstore through Canvas and are free for the first two weeks of classes. After two weeks, your student account will be charged a special reduced price unless you opt out. If you decide to opt out you must complete the process by Saturday, January 16th, 2021 and you will be responsible for sourcing the materials elsewhere.
- To opt-out: Click the RedShelf link in Canvas; Click View Course Materials; Scroll down to the grey opt-out button and follow the prompts.
- For any questions about billing please contact textbooks@ucsd.edu.
- For any questions about using your eBook please reference [RedShelf Solve](#)

Financial calculator:

- A financial calculator will be required for the course and for exams, to perform basic annuity and present value type calculations.
- Any financial calculator will do, as long as you understand how to use it.
- * *Students interested in obtaining CFA certification should note that the two approved calculators for CFA exams are the Texas Instruments BA II Plus (including BA II Plus Professional), and the Hewlett Packard 12C (including the HP 12C Platinum, 12C Platinum 25th anniversary edition, 12C 30th-anniversary edition, and HP 12C Prestige)*

Problem sets: I will periodically assign problem sets throughout the course. Even though they will not be collected or graded, it is VERY important to do them. The problem sets are the best way to learn and be prepared for the exams.

Exams: 1. Practice test on Friday, Jan 22.
2. Midterm 1 on Friday, Jan 29.
3. Midterm 2 on Wednesday, Feb. 24.

Both midterms are in-class tests.

4. Final exam: 3:00 - 6:00 pm on Monday, Mar. 15.

“We will use Zoom/LockDown browser for proctoring this quarter. This program use video and audio recording or other personal information capture for the purpose of facilitating the course and/or test environment. UC San Diego does not allow vendors to use this information for other purposes. Recordings will be deleted when no longer necessary. However, if cheating is suspected, the recording may become part of the student’s administrative disciplinary record. Finally, I reserve the right to give an oral test if I feel it is necessary to uphold academic integrity.”

Makeup exams: Make-up examinations will be given only under very unusual circumstances and only if the student provides official written notification to the instructor no less than a week prior to the missed test. Students who miss a test without a **justifiable** and **verifiable** reason, will most likely fail the course.

Grades: The overall score will be computed as follows:

- Practice test: 3%
- Midterm 1: 22%
- Midterm 2: 30%
- Final exam: 45%

There is no opportunity in this course to do “extra credit” work. Your grade will be determined solely by the test scores. The overall course grade will be curved. **I reserve the right to modify these weights as needed during the quarter.**

Disability: If you have a documented disability, please bring your documentation 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.

Academic integrity: Any student found responsible for violating UCSD’s academic integrity policy will earn a failing grade for the course. In addition, the Council of Deans of Student Affairs will impose a disciplinary penalty. You can find information on the university’s policy on academic integrity at this website: <http://academicintegrity.ucsd.edu>

Technical resources for students:

- Digital Learning: <https://keeplearning.ucsd.edu>
- COVID-19 Information: <https://vcsa.ucsd.edu/news/covid-19-info.html>

General comments

- Even if I don’t explicitly assign reading from the text, it is a good idea to read the chapter before coming to class in order to have some understanding of the concepts to be presented.
- ***This class moves rapidly.*** *Cramming* is not an effective way to learn this material. A student who keeps up with the topics as they presented will find the course much more enjoyable and will master the concepts more quickly.
- **Attend all lectures on time.** You are responsible for any information given during lectures.
- Please do use my office hours or TAs office hours for everything related to the content of the course. If you have doubts about the materials, do not wait until a few hours before the exam.
- Students are encouraged to ask questions in class. You’ve probably heard this before, but if you have a question, chances are that others in the class have the same question.
- Finally, ask questions before, during, or after class or come to my office if you having any trouble with the course material. Remember the goal of education is to learn, not to suffer!

Course content and schedule (Changes, if any, will be announced in the class.)

The following course schedule should be considered extremely tentative, and will likely change depending on our pace through the quarter. I reserve the right to modify this schedule as needed during the quarter. Not all topics will be covered in the same detail. Time constraints may cause some topics to be omitted.

1. Financial Markets, Investments, and Financial assets (Chapter 1 – 4)
2. Risk and Return: Portfolio theory (Chapter 5 – 8)
3. The Capital Asset Pricing Model (CAPM) (Chapter 9 and 10)
4. Stock analysis and the Efficient Market Hypothesis (EMH) (Chapter 11)
5. Behavioral Finance (Chapter 12)
- *6. Fixed income: Bonds and Interest rates (Chapter 14)