

# Econ 173A: Financial Markets

## Winter, 2022

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.

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:** 2:00 – 3:20 pm on T&R @ <https://ucsd.zoom.us/j/95114789328> or @ Center 113

**Instructor:** Dr. Munpyung O

- Office hours: 11:00 – Noon on Tuesdays, and by appointment.  
@ <https://ucsd.zoom.us/j/6571145643> or @ Economics 109.
- email: [mlo@ucsd.edu](mailto:mlo@ucsd.edu)

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

**TA discussion sections:** 7:00 – 7:50 pm on Wednesday and 5:00 – 5:50 pm on Fridays.  
@ <https://ucsd.zoom.us/j/96669805877> for the first 4 weeks.  
@ <https://ucsd.zoom.us/j/9828605231> for the rest of weeks.  
There will be no TA's discussion sessions in the first week.

**Teaching assistants and reader:**

- Han, Jinhyeon (TA), [jih420@ucsd.edu](mailto:jih420@ucsd.edu)
- Yee, Steven (TA), [slyee@ucsd.edu](mailto:slyee@ucsd.edu)
- Zhang, Linchen (Reader)

**TA's office hours:**

- Mondays, 7:00 – 8:00 pm (Han, Jinhyeon) @ <https://ucsd.zoom.us/j/9828605231> or @ SH 140
- Fridays, 9:00 -10:00 am (Yee, Steven) @ <https://ucsd.zoom.us/j/96669805877> or @ SH 232

**Lectures and discussion:** Both lectures and TA's discussion sections will be recorded and made available to students asynchronously for the first two weeks. There is a weekly discussion section for this course. You are **strongly** recommended to attend (watch) 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 (Inclusive Access) 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 January 15th, 2022 and you will be responsible for sourcing the materials elsewhere.
- If you have any questions concerning Inclusive Access, please contact the Bookstore at [textbooks@ucsd.edu](mailto:textbooks@ucsd.edu) or email [help@redshelf.com](mailto:help@redshelf.com) 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 Tuesday, February 1.  
2. Midterm: in-class test on Tuesday, February 8.  
3. Final exam: 3:00 pm - 6:00 pm on Thursday, March 17.

**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 two weeks 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:

1. Practice test: 3%      2. Midterm: 40%      3. Final exam: 57%

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>

### Resources for students:

- Digital Learning: <https://keeplearning.ucsd.edu>
- Return to Learn: <https://returntolearn.ucsd.edu/>
- Ed Tech support: Students needing technical assistance should contact [servicedesk@ucsd.edu](mailto:servicedesk@ucsd.edu) or 858-246-4357.
- COVID-19 Information: <https://vcsa.ucsd.edu/news/covid-19-info.html>

### 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)

### 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 (Watch) all lectures (videos) 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!