

Economics 443 (L01) (The Economics of Financial Markets)

Instructor: Heidi Esau
Phone: TBA
Email: Heidi.Esau@ucalgary.ca

Lecture Location: EDC 280
Lecture Days/Time: MWF 10:00 – 10:50

Office: SS 350
Office Hours: **In person: M/W 2:00-3:00**
Zoom: T 11:00-12:00
or by appointment

(Winter 2022)

Course Description:

Basic functions and structure of financial markets. Economic analysis of trading strategies in financial markets and determinants of equilibrium prices. Institutional features, and analysis, of bond, stock, options, forward and futures markets.

Course Learning Outcomes:

The objective of this course is to provide students with applied expertise and familiarity with the operation of financial markets, their institutional structure, and trading. The first part of the course will introduce students to how the investment process works, along with how financial markets operate and how various securities trade.

The second component of the course will focus on creating a portfolio in practice. This will include coverage of the risk and return relationship, diversification, and security analysis. Students will also be introduced to derivatives: their pricing and how to use them to hedge risk. A semester long trading simulation project will provide students the opportunity to experience actual trading mechanics and apply concepts and strategies as they are learned.

Course Outline:**Introduction**

Jan. 10 – 19

Introduction

- Chapters 1-3

Section 1

Jan. 21 – Feb. 2

Portfolio Theory and Practice

- Risk Aversion, Capital Allocation (Chapter 6)
- Optimal Risky Portfolios and Utility (Chapter 7)
- **Assignment 1 Feb. 4**

Section 2

Feb. 4 – Mar. 4

Equilibrium in Capital Markets

- Capital Asset Pricing Model (Chapter 9)
- Other Pricing Models (Chapter 10)
- **Assignment 2 Mar. 4**

March 11, 2022

Midterm Exam**Section 3**

Mar. 7 – Mar. 21

Security Analysis

- Macroeconomic and Industry Analysis (Chapter 17)
- Equity Valuation Models Flow (chapter 18)
- **Assignment 3 Mar. 25**

Section 4

Mar. 28 – Apr. 8

Derivatives and Hedging

- Options Markets (Chapter 20)
- Option Valuation (Chapter 21)
- Other Derivatives (Chapter 21-22)
- **Assignment 4 Apr. 11**

Prerequisites/corequisites:

Economics 311, 341, 357 and 359.

Required Textbook(s):

Bodie, Kane, Marcus, Perrakis, and Ryan: Investments, McGrawHill, 9th Canadian edition.

Required Software(s):

Rotman Portfolio Manager (RPM) software will be required for the course project (free). Login information will be provided. The software will also be made available to students in the SS20 computer lab.

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Grade Determination and Final Examination Details:

| | |
|--------------------|------------|
| ASSIGNMENTS 4 X 5% | 20% |
| MIDTERM EXAM | 20% |
| FINAL EXAMINATION | 40% |
| TERM PROJECT | <u>20%</u> |
| | 100% |

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam at the discretion of the instructor. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Course material dealing with a particular assignment will typically be covered in class at least 5 days before the assignment is due. Given these factors, only situations where someone can document illness or domestic affliction for an extended period (i.e., the entire 5 days prior to the due date) would possibly warrant shifting the quiz weight to the final exam.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

Tests and exams **WILL NOT** involve multiple choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

The midterm exam will be held on March 18th in class.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Academic Misconduct:

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: <https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their instructor. The full policy on Student Accommodations is available at

<https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-students-disabilities-procedure>

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <https://www.ucalgary.ca/legal-services/access-information-privacy>

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy> Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

Recording of Lectures:

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or

distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):
Economics Department Representative
E-mail: econrep@fasaucalgary.ca
Website: www.fasaucalgary.ca.

Society of Undergraduates in Economics: <https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Tower.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.
2. Please note that the following types of emails will receive no response: emails not addressed to anyone in particular; emails where the recipient's name is not spelled correctly; anonymous emails; emails in which the sender has not identified which course and section he/she is taking; and, emails involving questions that are specifically addressed on this course outline. For a quicker response time, please copy your TA on emails.

HE

2021-12-15