Economics 485W
“Topics in Financial Economics: Financial Markets and Instruments”
FALL 2015
Tu/Th 8:30-9:45am
Classroom: Rich 104

Instructor: Prof. Caroline Fohlin
E-mail: caroline.fohlin@emory.edu
(Include “Econ 485W” in your message header)

Office Hours: Tues & Wed, 10am-11am, and by appointment
Office: 306D Rich

Course description: This course introduces the workings of financial markets and related instruments and institutions. We examine several types of financial instruments—stocks, bonds, foreign exchange, asset-backed securities, and derivatives—their markets, and the roles of investment banks, security brokers, hedge funds, and venture capital firms. We will learn about the recent financial crisis as well as the changing regulation and technology of financial markets over time.

NB: If you have taken Econ 215 with me, you will find that we are covering much of the same material, however, we will cover it with greater technical detail and are using a different text. The 215 course is now taught by a different instructor and will be substantially different from my version of the course.

Textbook: Investments, 10th edition, by Bodie, Kane and Marcus. This is the latest edition of this extremely popular text, and we will use it with McGraw-Hill’s “Connect” system. If you have not already logged in to the system and started working, please do so here immediately: http://connect.mheducation.com/class/c-fohlin-fall-2015. There is a “pre-course” in statistics that I would like you all to complete in the first week.

Please keep in mind that I have never used Connect before, so I am still learning the system as we go along. I encourage students to offer constructive feedback on the system and the problems I’m assigning in the system.

The “W” component: students will complete a paper for the course in order to earn the ‘W’ designation. We will discuss topic ideas in class and will set out a plan to complete the writing by the end of the semester. See below for grading.

Attendance: Attendance in class is important, and you are expected to attend every class. I will quite often ask the class to do practice problems in class and present solutions, some of which may count as quizzes. Thus, you will most likely improve your grade by attending class. If you have to miss a class for an excusable reason, please let me know before that class. Please do not make travel arrangements that will cause you to miss class or the final exam. If you cannot make class because you are ill or injured, please email me before class. I will not offer makeup quizzes or exams or drop grades after the fact.
- **Food:** Please eat breakfast before coming to class (ie, no food in class). You will be able to learn better if you eat something beforehand.

- **Phones:** Please ensure that your phone is powered off and put away in your bag for the duration of class. If I see you operating a phone during the class period (including texting or browsing) I will ask you to leave class.

- **Computers:** Computers are not allowed to be used in class, unless I ask you to do so. You should take notes with paper and pen/pencil. Please bring a spiral notebook with perforated pages or a 3 ring binder with loose-leaf paper.

- **Recording devices:** Please do not record class without explicit permission from me.

**Homework:** I will assign problems through the Connect system. You may work with others on homework unless I indicate otherwise for a particular assignment. Homework is automatically turned in via the Connect system at the prescribed due dates.

**Exams:** I am planning on giving a few short quizzes during the semester. All quizzes may test material that has been covered up to that point. The final paper will count as your final exam. Unless I explicitly exclude something, exams and quizzes may cover any material presented in the assigned chapters, in assigned supplemental readings, and in lectures. Lectures often contain stories, examples, and anecdotes not discussed in the textbook, so be sure to take careful and complete notes. You should review all of your notes and readings on a continuous basis, as cramming doesn’t work very well for most people.

**Grading:** Students will be graded on the basis of the final paper (40%), the quizzes (30% total), homework assignments (20% total), and participation (10%). There is no ‘extra-credit’ available.

**Contacting me:** I am looking forward to getting to know all of you. You should see me after class or come to my office hours in order to discuss anything related to the course. If you cannot make it to my office hours, you may schedule an appointment by emailing me at least a day ahead of when you want to see me. You must include “Econ 485W” in the subject header of your message to ensure that I see your message and can therefore reply. I receive dozens of messages each day, so I can easily miss a message if it does not get filtered to my class mailbox. If you do not receive a reply from me within 24 hours, you should check that you used the right subject header! Please do not call me on the phone or just drop by my office.
**Topics:** Following is an approximate schedule of topics and readings. We may need to adjust the schedule a bit as we go along, so please keep alert for changes. Your best means of learning about current topics and assignments is by coming to class.

<table>
<thead>
<tr>
<th>Week</th>
<th>Tue</th>
<th>Thur</th>
<th>BKM Chapter/Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>27-Aug</td>
<td>Statistics Pre-Course</td>
</tr>
<tr>
<td>2</td>
<td>1-Sep</td>
<td>3-Sep</td>
<td>Chapter: 1 The Investment Environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapter: 2 Asset Classes and Financial Instruments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapter: 3 How Securities are Traded</td>
</tr>
<tr>
<td>3</td>
<td>8-Sep</td>
<td>10-Sep</td>
<td>Chapter: 5 Risk, Return, and the Historical Record</td>
</tr>
<tr>
<td>4</td>
<td>15-Sep</td>
<td>17-Sep</td>
<td>Chapter: 6 Capital Allocation to Risky Assets</td>
</tr>
<tr>
<td>5</td>
<td>22-Sep</td>
<td>24-Sep</td>
<td>Chapter: 7 Optimal Risky Portfolios</td>
</tr>
<tr>
<td>6</td>
<td>29-Sep</td>
<td>1-Oct</td>
<td>Chapter: 9 The Capital Asset Pricing Model</td>
</tr>
<tr>
<td>7</td>
<td>6-Oct</td>
<td>8-Oct</td>
<td>Chapter: 11 The Efficient Market Hypothesis</td>
</tr>
<tr>
<td>8</td>
<td>13-Oct</td>
<td>15-Oct</td>
<td>Chapter: 14 Bond Prices and Yields</td>
</tr>
<tr>
<td>9</td>
<td>20-Oct</td>
<td>22-Oct</td>
<td>Chapter: 15 The Term Structure of Interest Rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapter: 16 Managing Bond Portfolios: 16.1 ONLY (DURATION)</td>
</tr>
<tr>
<td>10</td>
<td>27-Oct</td>
<td>29-Oct</td>
<td>Mortgages and mortgage backed securities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(supplemental reading/slides)</td>
</tr>
<tr>
<td>11</td>
<td>3-Nov</td>
<td>5-Nov</td>
<td>Chapter: 20 Options Markets: Introduction</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapter: 21 Option Valuation: selected parts TBD</td>
</tr>
<tr>
<td>12</td>
<td>10-Nov</td>
<td>12-Nov</td>
<td>Chapter: 22 Futures Markets</td>
</tr>
<tr>
<td>13</td>
<td>17-Nov</td>
<td>19-Nov</td>
<td>Chapter: 23 Futures, Swaps, and Risk Management</td>
</tr>
<tr>
<td>14</td>
<td>24-Nov</td>
<td>26-Nov</td>
<td>work on papers</td>
</tr>
<tr>
<td>15</td>
<td>1-Dec</td>
<td>3-Dec</td>
<td>work on papers</td>
</tr>
<tr>
<td>16</td>
<td>8-Dec</td>
<td></td>
<td>work on papers</td>
</tr>
</tbody>
</table>
**Honor Code:** I expect all students enrolled in the course to abide by the Emory Honor Code. I take honor code violations EXTREMELY seriously. Please do not come even a little bit close to violating any of its stipulations. Details can be found at [http://college.emory.edu/home/academic/policy/honor_code.html](http://college.emory.edu/home/academic/policy/honor_code.html)

Please note in particular the discussion of academic misconduct:

**ARTICLE 4: ACADEMIC MISCONDUCT**

Academic misconduct is an offense generally defined as any action or inaction which is offensive to the integrity and honesty of the members of the academic community. This offense includes, but is not limited to, the following:

(a) Seeking, acquiring, receiving, or giving information about the conduct of an examination, knowing that the release of such information has not been authorized:

(b) Plagiarizing;

(c) Seeking, using, giving, or obtaining unauthorized assistance or information in any academic assignment or examination;

(d) Intentionally giving false information to professors or instructors for the purpose of gaining academic advantage;

(e) Breach of any duties prescribed by this Code;

(f) Intentionally giving false evidence in any Honor Council hearing or refusing to give evidence when requested by the Honor Council.
Office for Undergraduate Education – Information for Syllabus

- The Office for Undergraduate Education (OUE) central office is located in White Hall 300
- Please visit or call 404.727.6069 with questions about academic affairs, concerns or policies.
- All Emory College of Arts and Sciences policies may be found in the College Catalog: http://college.emory.edu/home/academic/catalog/index.html

Academic Advising and Class Deans
If you have any academic concerns or questions about Emory College of Arts and Sciences policies, you should first meet with an OUE academic adviser. If an academic adviser is unavailable to meet with you, you may meet with an OUE dean during open hours.

- OUE Academic Adviser appointments: Visit White Hall 300 or call 404.727.6069
- Deans’ Open Hours: http://college.emory.edu/home/administration/office/undergraduate/hours.html

Academic Support
There are a range of resources available to Emory undergraduates designed to enrich each student’s educational experience.

- Visit http://college.emory.edu/advising for a list of support programs and appointment directions

Access and Disability Resources
Students with medical/health conditions that might impact academic success should visit Access, Disability Services and Resources (ADSR formerly the Office of Disability Services, ODS) to determine eligibility for appropriate accommodations. Students who receive accommodations must present the Accommodation Letter from ADSR to your professor at the beginning of the semester, or when the letter is received.

Attendance Policies (Absences and Absences from Examinations)

- Absences: Although students incur no administrative penalties for a reasonable number of absences from class or laboratory, they should understand that they are responsible for the academic consequences of absence and that instructors may set specific policies about absence for individual courses.
- Absences from Examinations: A student who fails to take any required midterm or final examination at the scheduled time may not make up the examination without written permission from a dean in the Office for Undergraduate Education. Permission will be granted only for illness or other compelling reasons, such as participation in scheduled events off-campus as an official representative of the University. A student who takes any part of a final examination ordinarily will not be allowed to defer or retake that final. Deferred examinations must be taken during the student’s next semester of residence by the last date for deferred examinations in the academic calendar or within twelve months if the student does not re-enroll in the college. Failure to take a deferred examination by the appropriate deadline will result automatically in the grade IF or IU.

Honor Code
Upon every individual who is a part of Emory University falls the responsibility for maintaining in the life of Emory a standard of unimpeachable honor in all academic work. The Honor Code of Emory College is based on the fundamental assumption that every loyal person of the University not only will conduct his or her own life according to the dictates of the highest honor, but will also refuse to tolerate in others action which would sully the good name of the institution. Academic misconduct is an offense generally defined as any action or inaction which is offensive to the integrity and honesty of the members of the academic community.

- The Honor Code, a list of offenses and the Honor Council process may be found; http://college.emory.edu/home/academic/policy/honor_code.html