Teaching assistants. TBA

Course description. This course introduces students to modern theories of investment and their application to the study of financial markets. Specific topics include the relation between risk and return, diversification, asset pricing, efficient markets hypothesis, and the market valuation of stocks, bonds, options, and futures.

Prerequisites. Econ 15A-B or the equivalent; and, Econ 100A-B and concurrent enrollment in 100C or the equivalent. Please note we will be making extensive use of quantitative methods, including statistics.


Course outline and readings.

1 Basic concepts & an overview of securities markets
   1.1 Introduction & motivation 1
   1.2 Financial securities 2
   1.3 Financial markets & trading securities 3,4
2 Portfolio theory
   2.1 Risk & return 5
   2.2 Asset allocation & diversification 6
   2.3 Asset pricing theories 7
3 Valuation of securities and derivatives
   3.1 Bonds 10,12
   3.2 Equity 13
   3.3 Options 15,16
   3.4 Futures 17

Course website. The url is: <http://eee.uci.edu/18s/62190/>. Please be sure to visit the course website, where all materials for the class, occasional messages and any updates to the course schedule will be posted.

Homework assignments and practice problems. Problem solving is
essential for developing a solid command of the material. Thus, over the quarter, I will assign problems on a fairly regular basis through McGraw Hill’s online resource, Connect. Access to this resource is bundled with your textbook. (If you purchase a used textbook or none at all, you will need to purchase access directly through McGraw Hill.) You can access the login page for Connect, where you will find instructions for registering, on the course website. Please use your name as it appears in WEBREG to ensure that you receive proper credit. Once registered, you can access the assigned problems. I will announce in class when assignments are available to start. You will typically have at least five days to complete them. (Late assignments will not be accepted.) You can find further instructions/policies in connection with the homework assignments on the Connect website.

In addition, I will post practice problem sets on the course website. I strongly encourage you to work through these practice problems together in study groups. These problems will be more like those you will see on the exams. The TAs will go over them in discussion sections time permitting, but solutions will be posted after sections meet.

**Exams.** There will be one midterm exam (the fifth or sixth week) and the final exam, both consisting of problems and short answer/essay questions. The final exam will be comprehensive.

**Grading policy.** Your final grade will be assigned on the basis of a weighted average of your scores on the problems assigned via Connect (40 percent), the midterm exam (20 percent) and the final exam (40 percent).

Make-up exams will NOT be given for either the midterm exam or the final exam. Under no circumstances may you miss the final exam. You may miss the midterm exam, but only under exceptional circumstances (i.e., a documented emergency or illness); in this case, your final exam will be worth 60 percent of your final grade.