This course is a one-(summer) session course topics related to financial economics, including investors’ attitudes toward risk, capital allocation, portfolio selection, asset pricing models (Capital Asset Pricing Model and Arbitrage Pricing Theory), the efficient market hypothesis, and fixed income markets.

Lectures will consist of covering the theory, going over in-class examples, and class discussion. Problem sets will focus on applying the material from lectures. Students should have a basic understanding of microeconomics, statistics, and algebra (see also prerequisites below).

**LEARNING GOALS:**
- Understand the fundamental principles of investment in financial markets
  - how investors make investment decisions
  - what determines returns and asset valuations
- Gain a quantitative understanding of
  - capital allocation decisions
  - fixed income securities and bond markets
- Increase understanding of current events in financial markets
- Practical experience in financial research and professional presentation

**PREREQUISITES AND CO-REQUISITES:**
For this course students are expected to have completed Econ 80a (Microeconomic Theory) and 83a (Statistics for Economic Analysis). While the instructor will review some material from these prerequisite courses during lectures, such review will not serve as substitutes for completing the required courses.

**EXAM (30%)**
There will be one in-class comprehensive final exam. This exam is tentatively scheduled for June 24, 2019.

**PROBLEM SETS (20%)**
There will be three required problem sets in this course. The problem sets will generally be posted on Latte after class (either Monday or Tuesday). **Problem sets are expected to be typed and submitted through Latte.** Tentative due dates are listed in the course outline below. If you would like, you may work in small groups of 2-3 people to discuss the problem sets; please write your group members’ names on your problem sets. However, you must write up answers individually. Note that if you simply copy your answers from one of your classmates, in addition to receiving a zero on the problem set, you will be in violation of Brandeis rules on academic honesty and may not receive credit for the course. Please also be aware that I will not be able to accept any late
submissions. Solutions will be posted on latte the day after the due date. Problem sets are good practice for the exams; students can expect that some questions on the exams will be quite similar to those previously seen on problem sets.

QUIZZES AND CLASS PARTICIPATION (10%)

There will be three quizzes, which will typically cover the previous 2-3 lectures. Tentative dates are listed in the course outline below. There will be no makeup quizzes. Attendance, engagement in class discussions, one-minute memos (see below) will all count towards general class participation.

SESSION PROJECT (40%)

Each student will be required to choose and complete a session research project. Students may choose to replicate an existing paper or present an original research proposal. All projects must have the instructor's approval. Students will be expected to prepare a formal presentation and present their project during the last week of the session. Session projects will be submitted through latte at the end of the course and will be subject to TurnItIn.com review. Further details about project requirements will be covered in lecture.

ONE-MINUTE MEMOS:

As part of the class participation grade, students will be asked to write a one-minute memo at the end of every class. The purpose of the one-minute memo is to establish a direct line of communication between the students and the instructor. The memo will help me assess the class’ understanding of the main concepts discussed during the lectures, identify unclear points, and address any other concerns. I want students to feel that they can be open and honest in these memos, so your grade is not affected by the content of these memos.

I will respond to the major questions raised in the memos during the following lecture. Missing a class or failing to submit a memo will result in an absence being recorded.

POLICY ON CALCULATORS:

You can use any calculator you would like when solving problems on the problem sets, including scientific, programmable, graphing, financial, or software (such as Excel). However, on the exams (i.e. quizzes, midterm, and final) you will not be allowed to use financial calculators that are capable of directly calculating bond price, annuity value, yield to maturity, or duration. In order to prepare for this, I strongly advise everyone to make sure that you have a simple scientific calculator available to you which you can use to solve problems during the exams/quizzes.

TEXT

The textbook for the course is: Bodie, Kane, and Marcus (BKM) “Investments” 10th Ed.

I recommend that you use the 10th edition and will assume that you are reading the 10th edition. Please also be aware that any reference to book chapters or problems will be for the 10th edition.

Each class has readings in the book associated with it. For the exact chapter listing you can refer to the detailed course outline (below). I encourage you to read these sections, ideally before class. There will often be parts of the chapter that we do not cover in depth or skip entirely. If you are
interested in learning material above and beyond the class, those sections of the book are a good place to start.

**CONTACT INFORMATION**

My Brandeis email address is alaski@brandeis.edu. My office hours will be from 11am-12:30pm on Tuesdays.

**INFORMATION DISSEMINATION**

I will maintain a course website through the University's Latte system. You will be responsible for checking the website frequently as most of the problem sets, answer keys, etc. will be posted there and available for you to download. The website can be accessed from latte.brandeis.edu. Most documents from the course website will be found as PDF files. To read such files you will need to have Adobe Acrobat Reader installed on your computer. All computers in the computer labs on campus come equipped with the Reader.

**SPECIAL ACCOMMODATION**

If you are a student with a documented disability at Brandeis University and if you wish to request a reasonable accommodation for this class, please see me right away. Please keep in mind that reasonable accommodations are not provided retroactively.

**ACADEMIC HONESTY**

You are expected to be honest in your academic work. The University policy on academic honesty is distributed annually as section 4 for the Rights and Responsibilities handbook. Students may be required to submit work to TurnItIn.com software to verify originality. Using answer sites such as Chegg and Course Hero are a violation of this policy. I will enforce a zero-tolerance policy toward cheating and plagiarism. Instances of alleged dishonesty will be forwarded to the Director of Academic Integrity for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. Citation and research assistance can be found at LTS-Library guides. If you have any questions about my expectations, please ask. Academic Dishonesty will not be tolerated and will be rigorously prosecuted.

While you are encouraged to discuss the problems with others, you are expected to answer problems on your own. Resist the temptation to copy someone else's answer. This is worse than useless as it is not only a violation of Brandeis University rules but also will lull you into a false sense that you understand the material.

**RULES ABOUT ELECTRONICS**

Unless you have a documented disability that requires you to have a laptop or computer in the classroom, I will enforce a no laptops policy. You are expected to take any notes with pen and paper. If you need to make a phone call or check a message during class hours, I expect you to do so in the hallway. If I see you using either of these devices in class, I will ask you to leave the room until you have managed your affairs. Repeated violations of the electronics policy will lead to a dismissal from the classroom.
# TENTATIVE COURSE OUTLINE

<table>
<thead>
<tr>
<th>Week</th>
<th>Class Date</th>
<th>Topic</th>
<th>Assignments</th>
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<tr>
<td>1</td>
<td>Monday, June 3, 2019</td>
<td>Overview of course, introduction, Introduction to Financial Securities, Review of statistical and mathematical concepts</td>
<td>Chapters 1.1-1.4, 2, 3.2, 3.5-3.9.</td>
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<td>2</td>
<td>Tuesday, June 4, 2019</td>
<td>Risk and Return, Risk Preferences and Capital Allocation</td>
<td>Chapter 5.1, 5.3, 5.4-5.8, 6.1, 6.2, 6.4</td>
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<td>Thursday, June 6, 2019</td>
<td>Capital Allocation (2 assets: CAL, CML, POS), Portfolio Selection (risk-free and 2 risky assets)</td>
<td>Chapter 6.4-6.6, 7.2-7.3, Quiz 1</td>
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<td>4</td>
<td>Monday, June 10, 2019</td>
<td>Markowitz Portfolio Selection</td>
<td>Chapter 7.1, 7.4, 8.1. Submit PS 1</td>
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<td>5</td>
<td>Tuesday, June 11, 2019</td>
<td>The Single Index Model</td>
<td>Chapter 8.1-8.3, 8.5</td>
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<td>6</td>
<td>Thursday, June 13, 2019</td>
<td>Capital Asset Pricing Model (CAPM)</td>
<td>Chapter 9.1-9.4, Quiz 2 Submit PS 2</td>
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<td>8</td>
<td>Tuesday, June 18, 2019</td>
<td>Market Efficiency, Interpreting the Evidence</td>
<td>Chapter 11.2, 11.5, 12, 13.1</td>
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<td>9</td>
<td>Thursday, June 20, 2019</td>
<td>Fixed Income Securities, Bond Pricing</td>
<td>Chapter 14.1-14.4, 15.1, 15.4, 16.1-23.4, Quiz 3 Submit PS 3</td>
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<td>10</td>
<td>Monday, June 24, 2019</td>
<td>Final Exam</td>
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<td>11</td>
<td>Tuesday, June 25, 2019</td>
<td>Session Project meetings</td>
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<td>12</td>
<td>Thursday, June 27, 2019</td>
<td>Session Project meetings</td>
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<td>13</td>
<td>Monday, July 1, 2019</td>
<td>Session Project presentations</td>
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<td>14</td>
<td>Monday, July 8, 2019</td>
<td>Session Projects due</td>
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