I. General Information

This module has three learning objectives. First, you will learn the traditional topics covered in most Financial Economics courses, including 1) introduction to financial markets, 2) portfolio theory, 3) capital market pricing model, 4) capital market efficiency and behavioral finance, and 5) valuation of stocks, bonds, and financial derivatives. Second, I hope you will be able to apply these concepts in your daily lives and make more well-informed financial decisions. For example, you will learn how to read, analyze and even evaluate a stock based on the information you can find from Google Finance and/or the company's annual reports. Finally, I also want to help you develop critical thinking skills through reading and assessing academic papers related to this module.

II. Reading

The text is by Zvi Bodie, Alex Kane, Alan J. Marcus, and Ravi Jain, Investments, Asia Global Edition, 2013. You are not responsible for the chapters/sections not assigned, but you are responsible for material covered in assigned chapters/sections that are not discussed in lecture, except where explicitly stated otherwise. In addition, you also need to read the following assigned papers published in leading Economics/Finance journals:


III. Method of Instruction

Lectures: 2 hours per week
Tutorials: 1 hour per week

IV. Grading

Participation (8%)
Midterm Quiz (16%)
Group Presentation (16%)
Final Exam (60%)

V. Group Presentation

Each group can have 4-6 members. You will work with your teammates on one of the following tasks and will present it in a tutorial session.

Option 1: Present an Assigned Paper

You can present one of the assigned paper. Please be noted that your goal is to help other students to understand this paper and stimulate some discussion. A clear, concise presentation would be better than a long, detailed presentation.

When reading these papers, please focus on the “big picture” rather than “details.” You may try to answer the following questions:

1. What is the main research question in this paper? Please assess the significance of the research question.
2. What hypotheses did the authors test? Please also briefly explain the rationale of the hypotheses.
3. Explain the design of the experiment (or the empirical strategy) in the paper. Please evaluate the appropriateness of the design (or the empirical strategy).
4. What are the main findings of the paper? Please explain the implications of the results.

Option 2: Present a Business Valuation Project

Your goal is to apply the Discounted Cash Flows model to evaluate a business/stock of your interest. I suggest you select a business within walking distance so that you can interview with the owner and conduct simple market survey more conveniently. Alternatively, you can
evaluate a public company or a hypothetical company. I will upload group project samples on NTULearn for your reference.

The grade of the group project mainly depends on whether you can correctly project financial statements based on your assumptions and how well you justify the assumptions. The former is objective while the latter is subjective. It is difficult for me to spell it out what you need to do in order to receive a perfect score. Based on my past experience, the groups that receive very high grades are those that make me feel that I want to invest in the business!

**Option 3: Present a Group Project of Your Choice**

I am open to any other topic as long as it is related to this course. Please discuss your project with me in advance.

**VI. Tentative Schedule**

The timing in the syllabus is only indicative. It is more important that most of the students learn the material well, than rigidly stick to the exact schedule.

**Week 1:** Introduction: What is an Investment? (Ch 1.1, 1.2, 1.4)

**Week 2:** Financial System and Financial Instruments (Ch 2.1-2.5)

**Week 3:** How Securities are Traded (Ch 3.1, 3.2, 3.5-3.7) and Mutual Funds (Ch 4.3, 4.4)

**Week 4:** Risk, Return, and the Historical Record (Ch 5.1-5.4) and Risk Aversion and Capital Allocation (Ch 6.1-6.6)

**Week 6:** Optimal Risky Asset (Ch 7.1-7.4)

**Week 7:** Midterm Quiz (22-Sep-2015)

**Week 8:** Recess

**Week 9:** Financial Accounting (Ch 19.1)

**Week 10:** Equity Valuation (Ch 18.1-18.5)

**Week 11:** Capital Asset Pricing Model (Ch 9.1) and Technical Analysis (Ch 12.1)

**Week 12:** Efficient Market Hypothesis (Ch 11.1, 11.2) and Behavioral Finance (Ch 12.2)

**Week 13:** Bond Valuation (Ch 14.1-14.4)

**Week 14:** Options Pricing (Ch 20.1-20.2, 21.1, 21.3)