

## COURSE CONTENT

<b>Course Coordinator</b>	He Tai-Sen
<b>Course Code</b>	HE3012
<b>Course Title</b>	Financial Economics
<b>Pre-requisites</b>	AB1202 Statistics & Analysis/ HE1004 Introduction to Statistical Theory & Methods/ HE1005 Introduction to Probability & Statistical Inference, <b>AND</b> HE1001 Microeconomics Principles /HE9091 Principles of Economics/ HE5091 Principles of Economics  OR  AB1202 Statistics & Analysis, <b>AND</b> AB0901 Principles of Economics: A Singapore Perspective /HE9092 Economics Theory  OR  HE1001 Microeconomics I, MH 2500 Probability & Introduction to Statistics <b>AND</b> MH3500 Statistics
<b>No of AUs</b>	3
<b>Contact Hours</b>	39 hours (2 hrs Lecture + 1 hr Tutorial per week)

### **Course Aims**

This module is the first finance course for economics major students. It aims to introduce investments-related concepts using the financial economics framework.

### **Intended Learning Outcomes (ILO)**

By the end of this course, you (as a student) would be able to:

1. Explain key concepts in investments from a financial economics perspective
2. Construct investment portfolio and perform security analysis
3. Avoid common decision mistakes in financial decision-makings

### **Course Content**

1. Financial System and Financial Instruments
2. Risk, Return and the Historical Record
3. Risk Aversion and Capital Allocation
4. Optimal Risky Asset
5. Financial Accounting
6. Equity Valuation
7. Capital Asset Pricing Model and Technical Analysis
8. Efficient Market Hypothesis and Behavioral Finance
9. Bond Valuation

**Assessment (includes both continuous and summative assessment)**

1. Continuous Assessment	:	40%
2. Final Exam	:	60%
<b>Total</b>	:	<b>100%</b>

**Reading and References**

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:

1. Choi, James, David Laibson, and Brigitte Madrian. (2010). Why does the law of one price fail? An experiment on index mutual funds. Review of Financial Studies, 23(4): 1405-1432.
2. Cohn, Alain, Jan Engelmann, Ernst Fehr, and Michel André Maréchal. (2015). Evidence for Countercyclical Risk Aversion: An Experiment with Financial Professionals. American Economic Review, 105(2): 860-85.

**Course Instructors**

Instructor	Office Location	Phone	Email
He Tai-Sen	SHHK 04-40	6592 2432	TS.HE@ntu.edu.sg

**Planned Weekly Schedule**

Week	Topic	Course LO	Readings/ Activities
1	Introduction: What is an Investment?	1	Ch 1.1, 1.2, 1.4)
2	Financial System and Financial Instruments	1	(Ch 2.1-2.5)
3	How Securities are Traded Mutual Funds	1, 3	(Ch 3.1, 3.2, 3.5-3.7) (Ch 4.3, 4.4)
4	Risk, Return, and the Historical Record Risk Aversion and Capital Allocation	1	(Ch5.1-5.4) (Ch 6.1-6.6)
5	Risk, Return, and the Historical Record Risk Aversion and Capital Allocation	1	(Ch5.1-5.4) (Ch 6.1-6.6)
6	Optimal Risky Asset	1, 2	(Ch 7.1-7.4)
7	Midterm Quiz	-	-
<b>Recess Week</b>			
8	Financial Accounting	1, 2	(Ch 19.1)
9	Equity Valuation	1, 2	(Ch 18.1-18.5)
10	Capital Asset Pricing Model Technical Analysis	1	(Ch 9.1) (Ch 12.2)
11	Efficient Market Hypothesis Behavioral Finance	1, 3	(Ch 11.1, 11.2) (Ch 12.1)
12	Bond Valuation	1, 2	(Ch 14.1-14.4)
13	Review	-	-