D. McKeon  
Winter 2020  
Office: # A8  
Office hours Thursday 12:30pm - 2:20pm

**Course Description**

This course is an introduction to financial economics. The course will focus on how individuals and financial firms make decisions to allocate scarce resources over time and the markets they use to do so.  
The first part of the course will cover the main tenets of mean variance portfolio theory to determine efficient portfolios and select the optimum portfolio.  
The second part of the course will examine standard equilibrium pricing models such as the CAPM and the APT.  
Subsequently, the pricing of debt and equity instruments in their respective markets will be covered.  
The course will conclude with an introduction to option pricing and other derivatives.  
Although much attention will be paid to the theoretical constructs of the material, throughout the course, the emphasis will be placed on applications.

**Course Objectives**

You will gain knowledge of the various types of financial instruments used in the financial industry.  

At the end of the course you will be able to evaluate the appropriate use of various theories in financial economics.  

You will be exposed to the major issues concerning financial markets.  

You will be prepared to engage in debate on the intersection of finance and macroeconomic policy.  

You will get exposure to the technical skills needed to be a financial analyst.  

Enrolling in the Chartered Financial Analyst program is a major career move and requires a significant commitment. This course will give you an idea of what is involved in attaining the CFA.
Course Materials.


References that may be used include.


Assessment

The course grades will assigned according to the following weights:
Two midterms worth 50 % of the final grade

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<thead>
<tr>
<th>Dates and Weights:</th>
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<tbody>
<tr>
<td>Test I</td>
<td>February 3, 2020</td>
<td>Worth 25%</td>
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<tr>
<td>Midterm II</td>
<td>March 16, 2020</td>
<td>Worth 25%</td>
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<tr>
<td>Participation Reports</td>
<td>January 27, February 24, 2020</td>
<td>Worth 5%</td>
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<tr>
<td>Active in class participation</td>
<td>Ongoing</td>
<td>Worth 10%</td>
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<tr>
<td>Presentations</td>
<td>March 23, 30 2020</td>
<td>Worth 35%</td>
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Active Participation; Each student will self select to be a group (Max 5) which will constitute her/his group for the term. The group will act as mangers of a hypothetical fund for a pension plan. They will initially have 100 million dollars to invest and the group must report on the composition of the fund, on the reasons for its asset allocation and its performance three times during the course. Each statement must include economic analysis explaining the performance of the fund (positive and negative).
Report I - Due January 27, 2020:

This is a one or two page written report on what you chose to spend the 100 million dollars on. You may hold up to 10% of the fund back in cash but 90% must be invested by this date.
You must trade or reallocate 50% of the fund total assets during the term. Assets may be held in passive investments i.e. ETFs but you cannot “buy and hold” the entire portfolio over the term.
This criterion is required so students get exposure to making investment decisions.

Report II - Due February 24, 2020

This is a one or two page written report on the progress of your fund. You will report all the reallocations you made and also the gains and losses to date. You may (or may not) give an overall return on your fund at this point.
The main objective here is for you to explain why you made the decisions you took. The decisions must be made in response to economic conditions, expectations, or strategy you have designed for the portfolio.

Report III - Due March 23, 2020

This is an oral presentation each group makes to the class (about 10 minutes) explaining what their fund invested in and what the outcomes are.

All of the above will be discussed in more detail during our first class. Amendments to the above criteria and/or delivery dates may be made at that time.

Course Outline

The following outline is based on chapters from the text. Although we will follow the text there will also be some material done in class that will not appear in the text nor posted on OWL. This additional material may constitute the basis for exam questions. In addition, readings may be assigned from time to time. These readings are also subject to examination.

This outline is subject to additions and deletions as well as reordering of chapters and topics. It is incumbent on all participants to keep abreast of any changes at all times. Changes to the outline will be obvious from the discussion taking place in class; nonetheless, any changes will be announced in class and may not be posted.

Portfolio Theory

Introduction Topics......................................................... Chapters 3, 4
Risk and return.............................................................. Chapter 5
Utility and risk aversion.................................................. Chapter 6
Optimal risky portfolio allocation……………………………………… Chapter 7

Equilibrium Models
The capital asset pricing model (CAPM)…………………………………. Chapters 8, 9
Arbitrage pricing theory (APT)…………………………………………… Chapter 10
Market efficiency…………………………………………………………….. Chapter 11

Valuation of Debt and Equity
Bonds .......................................................................................... Chapter 14
Term structure of interest rates.......................................................Chapter 15
Fixed income portfolios................................................................. Chapter 16
Equities.......................................................................................... Chapters 17, 18

Derivative Markets
Options and Option Valuation……………………………………….. Chapter 20, 21
Futures (if time allows)................................................................. Chapter 22

Portfolio Assessment Techniques ............................................. Chapter 24

*Miscellaneous Topics

Macroeconomics and Industry Analysis.........
Active versus Passive Management...
Introduction to Risk Management...

* The order of these topics may be interchanged.
Prerequisite and Antirequisite Information

Students are responsible for ensuring that they have successfully completed all course prerequisites and that they have not completed any course antirequisites. Unless you have either the requisites for this course or written special permission from your Dean to enrol in it without them, you may be removed from this course and it will be deleted from your record. If you enrol in this course despite having already taken an antirequisite you may be removed from this course and it will be deleted from your record. Removals for these reasons may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites or for having already taken the antirequisites.

Conduct of Students in Classes, Lectures, and Seminars

Membership in the community of Huron University College and Western University implies acceptance by every student of the principle of respect for the rights, responsibilities, dignity and well-being of others and a readiness to support an environment conducive to the intellectual and personal growth of all who study, work and live within it. Upon registration, students assume the responsibilities that such registration entails. The academic and social privileges granted to each student are conditional upon the fulfillment of these responsibilities.

In the classroom, students are expected to behave in a manner that supports the learning environment of others. Students can avoid any unnecessary disruption of the class by arriving in sufficient time to be seated and ready for the start of the class, by remaining silent while the professor is speaking or another student has the floor, and by taking care of personal needs prior to the start of class. If a student is late, or knows that he/she will have to leave class early, be courteous: sit in an aisle seat and enter and leave quietly.

Please see the Code of Student Conduct at: www.huronuc.on.ca/sites/default/files/pdfs/Code%20of%20Student%20Conduct.pdf.

Technology

It is not appropriate to use technology (such as, but not limited to, laptops, cell phones) in the classroom for non-classroom activities. Such activity is disruptive and is distracting to other students and to the instructor, and can inhibit learning. Students are expected to respect the classroom environment and to refrain from inappropriate use of technology and other electronic devices in class.

Attendance Regulations for Examinations

A student is entitled to be examined in courses in which registration is maintained, subject to the following limitations:

1) A student may be debarred from writing the final examination for failure to maintain satisfactory academic standing throughout the year.
2) Any student who, in the opinion of the instructor, is absent too frequently from class or laboratory periods in any course will be reported to the Dean of the Faculty offering the course (after due warning has been given). On the recommendation of the Department concerned, and with the permission of the Dean of that Faculty, the student will be debarred from taking the regular examination in the course. The Dean of the Faculty offering the course will communicate that decision to the Dean of the Faculty of registration.

Please see the policy on Attendance Regulations for Examinations here: https://www.uwo.ca/univsec/pdf/academic_policies/exam/attendance.pdf.

**Short Absences:** If you miss a class due to a minor illness or other problems, check your course outline for information regarding attendance requirements and make sure you are not missing a test or assignment. Cover any readings and arrange to borrow notes from a classmate. Contact the course instructor if you have any questions.

**Extended Absences:** If you have an extended absence, you should contact the course instructor and an Academic Advisor. Your course instructor and Academic Advisor can discuss ways for you to catch up on missed work and arrange academic accommodations, if appropriate and warranted.

It is important to note that the Academic Dean may refuse permission to write the final examination in a course if the student has failed to maintain satisfactory academic standing throughout the year or for too frequent absence from the class or laboratory.

**Class Cancellations**

In the event of a cancellation of class, every effort will be made to post all relevant information on the OWL class site at: https://owl.uwo.ca/portal, and on the Huron website at www.huronuc.on.ca/about/accessibility.

**Academic Student Support Services**

For advice on course selections, degree requirements, and for assistance with requests for medical accommodation, students should email an Academic Advisor in Huron’s Student Support Services at huronsss@uwo.ca. An outline of the range of services offered is found on the Huron website at: https://huronatwestern.ca/academic-advising.

Department Chairs, Program Directors and Coordinators are also able to answer questions about individual programs. Their contact information can be found on the Huron website at: https://huronatwestern.ca/student-life-campus/art-social-science and at https://huronatwestern.ca/student-life-campus/management-and-organizational-studies.

**Adding / Dropping Courses**

If you think that you are too far behind to catch up or that your work load is not manageable, you should consult your Academic Advisor. If you consider reducing your workload by dropping one or more courses, this must be done by the appropriate deadlines. Please refer to the Huron website, https://huronatwestern.ca/academic-advising or review the list of official Sessional Dates on the Academic Calendar, available here: http://www.westerncalendar.uwo.ca/SessionalDates.cfm.
You should consult with the course instructor and the Academic Advisor who can help you consider alternatives to dropping one or more courses. Note that dropping a course may affect OSAP and/or Scholarship/Bursary eligibility.

**Statement on Academic Integrity**

The International Centre for Academic Integrity defines academic integrity as "a commitment, even in the face of adversity, to five fundamental values: honesty, trust, fairness, respect, and responsibility. From these values flow principles of behaviour that enable academic communities to translate ideals to action." (CAI Fundamental Values Project, 1999).

A lack of academic integrity is indicated by such behaviours as the following:

- Cheating on tests;
- Fraudulent submissions online;
- Plagiarism in papers submitted (including failure to cite and piecing together unattributed sources);
- Unauthorized resubmission of course work to a different course;
- Helping someone else cheat;
- Unauthorized collaboration;
- Fabrication of results or sources;
- Purchasing work and representing it as one’s own.

**Academic Integrity: Importance and Impact**

Being at university means engaging with a variety of communities in the pursuit and sharing of knowledge and understanding in ways that are clear, respectful, efficient, and productive. University communities have established norms of academic integrity to ensure responsible, honest, and ethical behavior in the academic work of the university, which is best done when sources of ideas are properly and fully acknowledged and when responsibility for ideas is fully and accurately represented.

In the academic sphere, unacknowledged use of another’s work or ideas is not only an offence against the community of scholars and an obstacle to academic productivity. It may also be understood as fraud and may constitute an infringement of legal copyright.

A university is a place for fulfilling one's potential and challenging oneself, and this means rising to challenges rather than finding ways around them. The achievements in an individual’s university studies can only be fairly evaluated quantitatively through true and honest representation of the actual learning done by the student. Equity in assessment for all students is ensured through fair representation of the efforts by each.

Acting with integrity at university constitutes a good set of practices for maintaining integrity in later life. Offences against academic integrity are therefore taken very seriously as part of the
university’s work in preparing students to serve, lead, and innovate in the world at large.

A university degree is a significant investment of an individual’s, and the public’s, time, energies, and resources in the future, and habits of academic integrity protect that investment by preserving the university’s reputation and ensuring public confidence in higher education.

**Students found guilty of plagiarism will suffer consequences ranging from a grade reduction to failure in the course to expulsion from the university. In addition, a formal letter documenting the offence will be filed in the Dean’s Office, and this record of the offence will be retained in the Dean’s Office for the duration of the student’s academic career at Huron University College.**

**Statement on Academic Offences**

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, as per the Academic Calendar:

http://www.westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&Command=showCategory&SelectedCalendar=Live&ArchiveID=#SubHeading_189

**Turnitin.com**

All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for a detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between Western University and Turnitin.com.

**Computer-Marked Tests/exams**

Computer-marked multiple-choice tests and/or exams may be subject to submission for similarity review by software that will check for unusual coincidences in answer patterns that may indicate cheating.

**Clickers**

Personal Response Systems (“clickers”) may be used in some classes. If clickers are to be used in a class, it is the responsibility of the student to ensure that the device is activated and functional. Students must see their instructor if they have any concerns about whether the clicker is malfunctioning. Students must use only their own clicker. If clicker records are used to compute a portion of the course grade:

- the use of somebody else’s clicker in class constitutes a scholastic offence
- the possession of a clicker belonging to another student will be interpreted as an attempt to commit a scholastic offence.

**Policy on “Special” Accommodation**
Students who require special accommodation for tests and/or other course components must make the appropriate arrangements with the Student Development Centre (SDC). Further details concerning policies and procedures may be found at: http://www.sdc.uwo.ca/ssd/index.html.

**Academic Consideration for Missed Work**

Students who are seeking academic consideration for missed work during the semester may submit a self-reported absence form online provided that the absence is 48 hours or less and the other conditions specified in the Senate policy at https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic_Consideration_for_absences.pdf are met.

Students whose absences are expected to last longer than 48 hours, or where the other conditions detailed in the policy are not met (e.g., work is worth more than 30% of the final grade, the student has already used 2 self-reported absences, the absence is during the final exam period), may receive academic consideration by submitting a Student Medical Certificate (for illness) or other appropriate documentation (for compassionate grounds). The Student Medical Certificate is available online at https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf.

All students pursuing academic consideration, regardless of type, must contact their instructors no less than 24 hours following the end of the period of absence to clarify how they will be expected to fulfill the academic responsibilities missed during their absence. **Students are reminded that they should consider carefully the implications of postponing tests or midterm exams or delaying submission of work, and are encouraged to make appropriate decisions based on their specific circumstances.**

Students who have conditions for which academic accommodation is appropriate, such as disabilities or ongoing or chronic health conditions, should work with Accessible Education Services to determine appropriate forms of accommodation.

**Requests for Academic Consideration Using the Self-Reported Absence Form**

Students who experience an unexpected illness or injury or an extenuating circumstance (48 hours or less) that is sufficiently severe to temporarily render them unable to meet academic requirements (e.g., attending lectures or labs, writing tests or midterm exams, completing and submitting assignments, participating in presentations) should self-declare using the online Self-Reported Absence portal. This option should be used in situations where the student expects to resume academic responsibilities within 48 hours or less.

The following conditions are in place for self-reporting of medical or extenuating circumstances:

- **a.** students will be allowed **a maximum of two self-reported absences** between September and April and one self-reported absence between May and August;

- **b.** any absences in excess of the number designated in clause a above, regardless of duration, will require students to present a **Student Medical Certificate (SMC)**, signed by a licensed medical or mental health practitioner, detailing the duration and severity of illness, or appropriate documentation supporting extenuating circumstances to the Academic Counselling unit in their Faculty of registration no later than two business days after the date specified for resuming responsibilities. Please see section 4 below for more
c. The duration of the excused absence will be for a maximum of 48 hours from the time the Self-Reported Absence form is completed through the online portal, or from 8:30 am the following morning if the form is submitted after 4:30 pm;

d. The duration of the excused absence will terminate prior to the end of the 48 hour period should the student undertake significant academic responsibilities (write a test, submit a paper) during that time;

e. The duration of an excused absence will terminate at 8:30 am on the day following the last day of classes each semester regardless of how many days of absence have elapsed;

f. Self-reported absences will not be allowed for scheduled final examinations; for midterm examinations scheduled during the December examination period; or for final lab examinations scheduled during the final week of term;

g. Self-reporting may not be used for assessments (e.g. midterm exams, tests, reports, presentations, or essays) worth more than 30% of any given course.

h. Students must be in touch with their instructors no later than 24 hours after the end of the period covered by the Self-Reported Absence form, to clarify how they will be expected to fulfill the academic expectations they may have missed during the absence.

Policy on “Academic” Accommodation - Medical / Non-Medical Grounds
(if absence is not self-reported)

(a) Medical Grounds for assignments worth 10% or more of final grade: Go directly to Huron Support Services/ Academic Advising, or email huronsss@uwo.ca.

University Senate policy, which can be found at, https://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_medical.pdf, requires that all student requests for accommodation on medical grounds for assignments worth 10% or more of the final grade be made directly to the academic advising office of the home faculty (for Huron students, the “home faculty” is Huron), with supporting documentation in the form (minimally) of the Senate-approved Student Medical Certificate found at: https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf.

The documentation is submitted in confidence and will not be shown to instructors. The advisors will contact the instructor when the medical documentation is received, and will outline the severity and duration of the medical challenge as expressed on the Student Medical Certificate and in any other supporting documentation. The student will be informed that the instructor has been notified of the presence of medical documentation, and will be instructed to work as quickly as possible with the instructor on an agreement for accommodation.

The instructor will not normally deny accommodation where appropriate medical documentation is in place and where the duration it describes aligns with the due date(s) of assignment(s). Before denying a request for accommodation on medical grounds, the instructor will consult with the Dean. The instructor’s decision is appealable to the Dean.
(b) Accommodation on Medical Grounds for assignments worth less than 10% of final grade: Consult Instructor Directly

When seeking accommodation on medical grounds for assignments worth less than 10% of the final course grade, the student should contact the instructor directly. The student need only share broad outlines of the medical situation. The instructor may require the student to submit documentation to the academic advisors, in which case she or he will advise the student and inform the academic advisors to expect documentation. The instructor may not collect medical documentation. The advisors will contact the instructor when the medical documentation is received, and will outline the severity and duration of the medical challenge as expressed on the Student Medical Certificate and in any other supporting documentation. The student will be informed that the instructor has been notified of the presence of medical documentation, and will be instructed to work as quickly as possible with the instructor on an agreement for accommodation.

The instructor will not normally deny accommodation where appropriate medical documentation is in place and where the duration it describes aligns with the due date(s) of assignment(s). Before denying a request for accommodation on medical grounds, the instructor will consult with the Dean. The instructor’s decision is appealable to the Dean.

(c) Non-Medical Grounds: Consult your Instructor directly.

Where the grounds for seeking accommodation are not medical, the student should contact the instructor directly. Late penalties may apply at the discretion of the instructor. Apart from the exception noted below, academic advisors will not be involved in the process of accommodation for non-medical reasons.

Where a student seeks accommodation on non-medical grounds where confidentiality is a concern, the student should approach an academic advisor with any documentation available. The advisors will contact the instructor after the student’s request is received, and will outline the severity and duration of the challenge without breaching confidence. The student will be informed that the instructor has been notified that significant circumstances are affecting or have affected the student’s ability to complete work, and the student will be instructed to work as quickly as possible with the instructor on an agreement for accommodation. Before denying a request for accommodation where documentation has been submitted to an academic advisor, the instructor will consult with the Dean. The instructor’s decision is appealable to the Dean.

**Mental Health & Wellness Support at Huron and at Western**

Students who are stressed, emotionally distressed or in mental health crisis, please refer to: [https://huronatwestern.ca/student-life-campus/student-services/wellness-safety](https://huronatwestern.ca/student-life-campus/student-services/wellness-safety) for a complete list of options about how to obtain help, or email Huronwellness@huron.uwo.ca to access your wellness staff directly.

Additional supports for Health and Wellness may be found and accessed at Western through, [www.uwo.ca/uwocom/mentalhealth/](http://www.uwo.ca/uwocom/mentalhealth/).
The Student Emergency Response Team (SERT) provides medical response to 9-1-1 calls on Main, Brescia and Huron campuses which operates 24 hours a day, 7 days a week during the academic year. SERT is dispatched through the campus community Police Service (CCPS) to any medical emergency on campus at (519) 661-3300. For more information about SERT please visit: sert.uwo.ca/about-sert/about-sert/.

**Important Dates and Directory at Huron and Western**

For a current and up-to-date list of important dates and campus directories, please visit:

- **Huron – Important Dates:** [https://huronuc.ca/important-dates-and-deadlines](https://huronuc.ca/important-dates-and-deadlines)
- **Western – Academic Calendar & Sessional Dates:** [http://www.westerncalendar.uwo.ca/SessionalDates.cfm](http://www.westerncalendar.uwo.ca/SessionalDates.cfm)
- **Huron Directory – Faculty, Staff and Administration:** [https://huron.ca/index.php/contact/contact-directory](https://huron.ca/index.php/contact/contact-directory)
- **Western Directory – Faculty, Staff and Administration:** [https://www.uwo.ca/directory.html](https://www.uwo.ca/directory.html)