

Economics 641 (01) Financial Economics

Instructor:	Apostolos Serletis	Lecture Location:	SS 403
Phone:	403 220 4092	Lecture Days/Time:	TR 12:30 – 13:45
Email:	Serletis@ucalgary.ca		
Office:	SS 438		
Office Hours:	TR 08:30 – 09:30	Winter 2017	

Course Description

The first half of the course focuses on the theory and applications of financial time series analysis. Topics covered include (i) analysis of asset returns, (ii) integration, cointegration, and error correction, (iii) univariate and multivariate volatility models, (iv) nonlinearities in financial data, and (v) structural vector autoregressions. The second half of the course introduces portfolio theory and modern asset pricing theories. Topics covered include (i) mean-variance analysis, (ii) the capital asset pricing model (CAPM), (iii) Arrow-Debreu pricing, (iv) the consumption capital asset pricing model (CCAPM), and (v) intermediary asset pricing theories.

Course Objectives/Learning Outcomes

The relevant books are indicated in brackets. For example, [1] refers to the Tsay book, *Analysis of Financial Time Series* (3rd edition), Wiley, 2010, listed under **Reserved Readings** below.

1. Statistical Models in Empirical Finance

- [1] Chapters 2, 3, 8, and 10
- [2] Chapters 2, 3, 4, 5, and 6

2. Nonlinear and Complex Dynamics in Finance

- [3] Chapter 12

3. Structural Vector Autoregressions

- [4] Chapter 22

4. Modern Portfolio Theory

- [5] Chapters 6
- [6] Chapters 5 and 6

5. Equilibrium Asset Pricing

- [5] Chapters 7, 8, and 9
- [7] Chapter 13

Prerequisites/corequisites: None

Required Textbook(s): None

Recommended Textbook(s): None

Reserved Readings

- [1] Ruey S. Tsay. *Analysis of Financial Time Series* (3rd edition), Wiley, 2010.
- [2] Walter Enders. *Applied Econometric Time Series* (4th edition). Wiley, 2015.
- [3] John Y. Campbell, Andrew W. Lo, and A. Craig MacKinlay. *The Econometrics of Financial Markets*, Princeton University Press, 1997.
- [4] Nigar Hashimzade and Michael A. Thornton (Eds.). *Handbook of Research Methods and Applications in Empirical Macroeconomics*. Cheltenham, UK: Edward Elgar, 2013.
- [5] Jean-Pierre Danthine and John B. Donaldson. *Intermediate Financial Theory* (2nd edition), Elsevier, 2004.
- [6] Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri. *Financial Theory and Corporate Policy* (4th edition), Pearson, 2005.
- [7] Lars Ljungqvist and Thomas J. Sargent. *Recursive Macroeconomic Theory*. The MIT Press, 2004.

Course Requirements/Assessments:

There will be one mid-term, a final exam, and a paper. The weights of these in the course grade are as follows:

Midterm exam	February 28	20%
Final exam		40%
Paper		40%

A passing grade on any particular component of the course is *not* essential to pass the course as a whole. The final examination will be scheduled by the department, will be held in a classroom, and will last two hours. Non-programmable calculators will be allowed during the writing of tests or final examinations. Tests and exams will not involve multiple-choice questions.

Before you start working on the paper, you need to write a one-page prospectus and get it approved by me. Suggested types of papers: 1) survey of some literature related to the course, 2) an econometric test of some model related to the course. Particularly people with an interest in econometrics may wish to consider this possibility.

Desire2Learn This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Grade Determination and Final Examination Details

Department of Economics Criteria for Letter Grades. Economics professors use the following criteria when assigning letter grades:

Grade	Grade Point Value	Description	Grade	Grade Point Value	Description
A+	4.00	Outstanding	C+	2.30	All grades below "B-" are indicative of failure at the graduate level and cannot be counted toward Faculty of Graduate Studies course requirements. Individual programs may require a higher passing grade.
A	4.00	Excellent-superior performance, showing-comprehensive understanding of subject matter	C	2.00	
A-	3.70	Very good performance	C-	1.70	
B+	3.30	Good performance	D+	1.00	
B	3.00	Satisfactory performance	D	1.00	
B-	2.70	Minimum pass for students in the Faculty of Graduate Studies	F	0	

Grading Scale

A+	96 – 100	B+	81 – 84	C+	68 – 71	D+	55 – 58
A	89 – 95	B	76 – 80	C	63 – 67	D	50 – 54
A-	85 – 88	B-	72 - 75	C-	59 – 62	F	0 – 49

The course grade is calculated using the weights indicated above. Part marks of 0.5 or above will be rounded up; those below 0.5 will be rounded down.

Reappraisal of Grades

For reappraisal of graded term work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For reappraisal of final grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

A student who feels that a piece of graded term work (e.g., term paper, essay, test) has been unfairly graded, may have the work re-graded as follows. The student shall discuss the work with the instructor within 15 days of being notified about the mark or of the item's return to the class; no reappraisal of term work is permitted after the 15 days. If not satisfied, the student shall immediately take the matter to the Head of the department offering the course, who will arrange for a reassessment of the work within the next 15 days. The reappraisal of term work may cause the grade to be raised, lowered, or to remain the same. If the student is not satisfied with the decision and wishes to appeal, the student shall address a letter of appeal to the Dean of the faculty offering the course within 15 days of the unfavourable decision. In the letter, the student must clearly and fully state the decision being appealed,

the grounds for appeal, and the remedies being sought, along with any special circumstances that warrant an appeal of the reappraisal. The student should include as much written documentation as possible.

Plagiarism and Other Academic Misconduct

Intellectual honesty is the cornerstone of the development and acquisition of knowledge and requires that the contribution of others be acknowledged. Consequently, plagiarism or cheating on any assignment is regarded as an extremely serious academic offense. Plagiarism involves submitting or presenting work in a course as if it were the student's own work done expressly for that particular course when, in fact, it is not. Students should examine sections of the University Calendar that present a Statement of Intellectual honesty and definitions and penalties associated with Plagiarism/Cheating/Other Academic Misconduct, <http://www.ucalgary.ca/pubs/calendar/current/k-2.html>

Academic Accommodation

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. For additional information on support services and accommodations for students with disabilities, Visit www.ucalgary.ca/access/.

Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>

Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than 14 days after the start of this course.

Absence from a Test/Exam

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES under any circumstances, nor may the quizzes be written early. Students unable to write the quizzes because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned. If a student cannot write their final exam on the date assigned by the Department, they need to arrange for a deferred exam with the department.

Important Dates

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

Faculty of Grad Studies website: <http://grad.ucalgary.ca/home>

Graduate Students Association: <http://gsa.ucalgary.ca/>

Professional Development for Grad Students

Workshops and resources can be found at <http://www.ucalgary.ca/mygradskills/>

Economics Graduate Association: <http://econ.ucalgary.ca/ega/>

Evacuation Assembly Point

In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The list of assembly points is found at

www.ucalgary.ca/emergencyplan/assemblypoints

Please check this website and note the nearest assembly point for this course

Safewalk

The safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year.

Call 403-220-5333