

## Economics 641 (01) Financial Economics

Instructor:	Apostolos Serletis	Lecture Location:	SS 423
Phone:	403 220 4092	Lecture Days/Time:	TR 13:30 – 14:45
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Office:	SS 438		
Office Hours:	TR 08:30 – 09:30	Winter 2018	

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### 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* (4<sup>th</sup> 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* (3rd edition), Elsevier, 2015.
- [6] Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri. *Financial Theory and Corporate Policy* (4<sup>th</sup> edition), Pearson, 2005.
- [7] Lars Ljungqvist and Thomas J. Sargent. *Recursive Macroeconomic Theory*. The MIT Press, 2004.

**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.

**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 27	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.

### Grade Determination and Final Examination Details

Tests and final exams are marked on a numerical (percentage) basis, and then converted to letter grades. The course grade is then calculated using the weights indicated. As a guide to determining standing, these letter grade equivalences will apply:

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

Part marks of 0.5 or above will be rounded up; those below 0.5 will be rounded down.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams 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.

#### Reappraisal of Grades and Intellectual Honesty:

*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>

*Statement of Intellectual Dishonesty, see Calendar K.4*

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

*Plagiarism and Other Academic Misconduct, , see Calendar K.5*

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

#### Academic Accommodations:

The student accommodation policy can be found at: [ucalgary.ca/access/accommodations/policy](http://ucalgary.ca/access/accommodations/policy).

Students needing an accommodation because of a disability or medical condition should communicate this need to Student Accessibility Services in accordance with the Procedure for Accommodations for Students with Disabilities [ucalgary.ca/policies/files/policies/student-accommodation-policy](http://ucalgary.ca/policies/files/policies/student-accommodation-policy).

Students needing an Accommodation based on a Protected Ground other than disability, should communicate this need, preferably in writing, to the course instructor.

#### Important Dates:

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

**Student Organizations:**

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) and Web: [www.fasaucalgary.ca](http://www.fasaucalgary.ca).

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. They invite you to join by contacting SUE at [societyofundergradsineconomics@gmail.com](mailto:societyofundergradsineconomics@gmail.com).

**Faculty of Arts Program Advising and Student Information Resources:**

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>.

**Evacuation Assembly Point:**

In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The assembly point for this classroom is Education Block Food Court.

**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.**

**Freedom of Information and Protection of Privacy (FOIP) Act:**

Personal information is collected in accordance with FOIP. For more information, see <http://www.ucalgary.ca/legalservices/foip/foip-hia>.