Econ 133: Security Markets and Financial Institutions (online)
Summer 2019 (7/29-8/30)
Last updated: 7/19/2019

Instructor: Kai Pommerenke, Ph.D., CFA (kpommere@ucsc.edu)
TAs: Yilin Li (yl1568@ucsc.edu), Yunxiao Zhang (yzhan149@ucsc.edu)
Canvas: https://canvas.ucsc.edu/courses/27045
Q&A: https://piazza.com/class/jxzc84sfxmlid
Sections: See registration sheet for times and links to join
Office hours: Wednesdays 9-11am: https://ucsc.zoom.us/j/5274665451 (Yunxiao)
Thursdays 8-10am: https://ucsc.zoom.us/j/6300333996 (Yilin)
Fridays 10am-12pm: https://ucsc.zoom.us/j/9407278582 (Kai)

Course objectives and methodology
An examination of all major financial markets: equities, bonds, options, forwards and futures. Uses modern financial theory, including asset pricing models such as the CAPM. This course won't teach you how to get rich quickly, but it might teach you how to get rich slowly.

The course will be taught as an online course: you read the textbook and lecture notes and watch the posted videos, then apply and practice your knowledge through online problem sets and spreadsheet assignments.

Since research shows that learning by doing has a six times better outcome than learning by watching or reading, you’ll be working on a lot of problems. You will also discuss financial concepts in section.

Course requirements and evaluation

- Section participation (via Zoom video conference) 10%
- Essays (due Wednesdays be 11:59pm) 20%
- Problem sets 30%
  a. Homework assignments (due Thursdays by 11:59pm)
  b. Spreadsheet assignments (due Fridays by 11:59pm)
- Spreadsheet capstone (Friday, 8/30, any 2 hours between 12am and 11:59pm PDT) 10%
- Final exam (Friday, 8/30, any 2 hours between 12am and 11:59pm PDT) 30%

Sections are online through Zoom on Mondays and Tuesdays. You need to register for and participate in one hour of section per week. Students will be called on to read their draft answer to bolded questions from the study guide, and will receive feedback from the TA. Only registered students who read out their draft answer will get participation credit.

The essays test your understanding of financial concepts. Your lowest score will be dropped. Essay topics will be revealed on Wednesday mornings, so that all essay questions are considered equally in sections.

Practice problems sets are optional. You can request to see the solution and tackle each problem again with different numbers. The practice problem sets are good preparation for the required homework assignments.

The problem set with the lowest percentage score will be dropped. You have ten attempts for numerical and spreadsheet problems, and four attempts for multiple choice problems. Spreadsheet problems require you to work with Excel or Google Sheets. You can request to see the solution to numerical and spreadsheet problems, but will lose two points every time you do so.

The spreadsheet capstone assignment is accessed through Canvas. You’ll have two hours to complete it, measured from the time you start. You cannot request to see the solution.

The final exam will contain essay questions from the study guide and numerical problems similar to the homework problems. It will be online through Canvas and monitored by ProctorU. ProctorU is a live online proctoring service that allows you to take your exam from home. The service is available 24/7, however, you will need to schedule your proctoring session at least 72 hours in advance to avoid any on-demand scheduling fees. To create a ProctorU account and make a reservation, visit go.proctoru.com. In order to use the service, you will need to have a high-speed internet connection, a webcam (internal or external), a Windows or Apple operating system, and a government-issued photo id. ProctorU recommends that you visit...
proctoru.com/testitout prior to your proctoring session to test your equipment. You should expect the startup process with the proctor to take about 10-15 minutes on the day of the final exam. However, this time will not affect your exam time. More info here.

Grades: D: 60%, C: 73%, B+: 80%, A+: 90%. There will be no curve and no extra credit.

Prizes!
Of those students interested in taking a CFA exam, the student with the best overall performance will receive a scholarship (worth $750). If you want to be considered, please add your name here by August 30.

How to succeed
- Buy the textbook
- Read the assigned readings and watch the videos
- Start all assignments earlier
- Ask for help and clarification: In section and office hours, and on Piazza

Try to get at least 90% of points on the homework and spreadsheet assignments, as you’re likely to do less well on the essays and the final exam.

Required readings and resources
- Essentials of Investments (8th ed. or newer), by Bodie, Kane & Marcus; McGraw-Hill ($0.01-250)
- ProctorU: proctoring service for final exam (needs appointment!) ($12.00)
- Accipi: access through Canvas for quizzes and problem sets; (disclosure: I’m a co-founder) ($9.95)
- Canvas: the platform for the delivery of this course (free)
- Piazza: use this for all Q&A instead of email (except personal issues), even anonymously (free)
- Zoom (for online office hours and sections) (free)

If you qualify for classroom accommodations because of a disability, please submit your authorization letter from the DRC (831-459-2089 and drc@ucsc.edu) to me within the first week.

Academic integrity
You can work with other students on the essays and problem sets. In fact, I encourage you to do so. However, every student has to submit their own essay. Copying someone else’s work or submitting identical work will result in a failing grade and other sanctions according to UCSC’s Academic Misconduct Policy.

Schedule

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<tr>
<th>Week</th>
<th>Topic</th>
<th>Assigned readings</th>
<th>Due dates</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Essay</td>
<td>HW</td>
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<tr>
<td>1</td>
<td>Fin. assets, markets, institutions</td>
<td>BKM 1.1-1.6, 2-4: Asset classes, markets, mutual funds</td>
<td>8/1</td>
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<td></td>
<td>Excel</td>
<td>Excel Primer, You suck at Excel</td>
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<td></td>
<td>Time value of money</td>
<td>Ivo Welch: 2.4-2.5, 3.1-3.3</td>
<td>7/31</td>
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<td>2</td>
<td>Risk and return</td>
<td>BKM 5.1-5.4: Risk and return</td>
<td>8/7</td>
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<td></td>
<td>Portfolio management</td>
<td>BKM 5.5: Asset allocation; BKM 6.1-6.4: Diversification</td>
<td>8/7</td>
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<tr>
<td>3</td>
<td>Index models/CAPM</td>
<td>BKM 6.5 (first 4 pages); BKM 7.1-7.3</td>
<td>8/14</td>
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<td>Options and futures</td>
<td>BKM 10.1-10.5: Bond prices, yields</td>
<td>8/14</td>
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<td>Efficient markets</td>
<td>BKM 15.1, 15.2: Option markets; BKM: 17.1-17.4: Futures</td>
<td>8/21</td>
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<td>5</td>
<td>Personal finance</td>
<td>BKM 8: Efficient markets</td>
<td>8/28</td>
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<td>Final exam &amp; Capstone</td>
<td>Cumulative</td>
<td>8/30</td>
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Information from Summer Session administration

Important 2019 Deadlines
Drop: Monday, August 5
Request for “W”: Friday, August 16

Neither Summer Session nor instructors drop students for non-attendance or non-payment. Students must drop themselves. Dropping results in full tuition reversal/refund. Withdraw posts a W for the grade and full tuition is charged (no refund).

For all dates and deadlines, including ‘change of grade option’ (P/NP) and grades due, here is the summer academic calendar: https://summer.ucsc.edu/studentlife/index.html

For questions about dropping, requesting a W grade for a course, or withdrawing from the summer quarter, email summer@ucsc.edu.

DRC Accommodations
The Disability Resources Center reduces barriers to inclusion and full participation for students with disabilities by providing support to individually determine reasonable academic accommodations. If you have questions or concerns about exam accommodations or any other disability-related matter, please contact the DRC office, located in Hahn 125 or at 831-459-2089 or drc@ucsc.edu.

Academic Dishonesty
Academic integrity is the cornerstone of a university education. Academic dishonesty diminishes the university as an institution and all members of the university community. It tarnishes the value of a UCSC degree.
All members of the UCSC community have an explicit responsibility to foster an environment of trust, honesty, fairness, respect, and responsibility. All members of the university community are expected to present as their original work only that which is truly their own. All members of the community are expected to report observed instances of cheating, plagiarism, and other forms of academic dishonesty in order to ensure that the integrity of scholarship is valued and preserved at UCSC.
In the event a student is found in violation of the UCSC Academic Integrity policy, he or she may face both academic sanctions imposed by the instructor of record and disciplinary sanctions imposed either by the provost of his or her college or the Academic Tribunal convened to hear the case. Violations of the Academic Integrity policy can result in dismissal from the university and a permanent notation on a student’s transcript.
For the full policy and disciplinary procedures on academic dishonesty, students and instructors should refer to the Academic Integrity page at the Division of Undergraduate Education.

Title IX
The university cherishes the free and open exchange of ideas and enlargement of knowledge. To maintain this freedom and openness requires objectivity, mutual trust, and confidence; it requires the absence of coercion, intimidation, or exploitation. The principal responsibility for maintaining these conditions must rest upon those members of the university community who exercise most authority and leadership: faculty, managers, and supervisors.

The university has therefore instituted a number of measures designed to protect its community from sex discrimination, sexual harassment, sexual violence, and other related prohibited conduct. Information about the Title IX Office, the online reporting link, applicable campus resources, reporting responsibilities, the UC Policy on Sexual Violence and Sexual Harassment and the UC Santa Cruz Procedures for Reporting and Responding to Reports of Sexual Violence and Sexual Harassment can be found at titleix.ucsc.edu.

The Title IX/Sexual Harassment Office is located at 105 Kerr Hall. In addition to the online reporting option, you can contact the Title IX Office by calling 831-459-2462.