

## Econ 133: Security Markets and Financial Institutions (online)

Summer 2020 (7/27-8/28)

Last updated: 7/23/2020

Instructor: Kai Pommerenke, Ph.D., CFA ([kpommere@ucsc.edu](mailto:kpommere@ucsc.edu))

Office hours: Wednesdays 2:00-4:00pm ([register here](#)), or by appointment, via Zoom

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Sections: See [registration sheet](#) for times and links to join

Canvas: <https://canvas.ucsc.edu/courses/37033>

Piazza: <https://piazza.com/ucsc/summer2020/econ133>

### 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 your knowledge through problem sets, spreadsheet assignments, and discussions.

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

• Participation (sections, Piazza and Canvas discussions)	20%
• Essays (due Wednesdays by 11:59pm, in groups of two students)	20%
• Problem sets	30%
a. Numerical problem sets (due Thursdays by 11:59pm)	
b. Spreadsheet problem sets (due Fridays by 11:59pm)	
• Final exam (Thursday, 8/27, any 2 hours between 8am and 6pm PDT)	20%
• Excel capstone (Friday, 8/28, any 2 hours between 8am and 6pm PDT)	10%

Participation includes sections, Piazza contributions and Canvas discussions:

- Sections are online through Zoom on Mondays and Tuesdays. You need to [register](#) for and participate in one section per week (you're allowed to miss one section). Students will be called on to read their draft answer to weekly questions and will receive feedback from the TA. Only registered students who read out their draft answer will get participation credit.
- You have to make at least 5 contributions to Piazza, i.e., questions, notes, answers, follow-ups or comments about course content, not logistics, by August 28.
- You will take part in several Canvas discussions: you submit an original post and reply to two posts by other students for each discussion (your lowest score will be dropped).

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. You'll work on the essays with another student, assigned by me. I recommend that you start a Google Doc and work together at the same time. A late penalty of 2% will apply for each day that your work is late.

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 10 attempts for numerical and spreadsheet problems, and 4 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. A late penalty of 2% will apply for

each day that your work is late. Once you've finished a problem, you can practice it again without affecting your recorded score.

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](http://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](http://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](#).

The Excel capstone assignment is accessed through Canvas. It is open book. You'll have two hours to complete it, measured from the time you start. You cannot request to see the solution. Warning: Your time will start as soon as you click on the problem. **Do not click** until you're ready to complete the problem.

**Grades:** D: 60%, C: 73%, B-: 80%, A-: 90%. **There will be no curve and no extra credit**, with one exception: if at least 80% of students submit a SETS evaluation at the end of the quarter, everybody will get a 2% bonus. If you want a recommendation letter, you need to get an A- in two of my courses and contribute to Piazza discussions more than required.

## 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 21.

## How to succeed

- Buy the textbook (paper or electronic)
- 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 exam.

## Required readings and resources

- Essentials of Investments (8<sup>th</sup> ed. or newer), by Bodie, Kane & Marcus; McGraw-Hill (\$5-250)
- Accepi: access through Canvas for problem sets (disclosure: I'm a co-founder) (\$9.95)
- [ProctorU](#): proctoring service for final exam (needs appointment!) (free)
- [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](mailto:drc@ucsc.edu)) to me within the first two weeks.

## Academic integrity

You should work with other students on the problem sets and essays. However, every group has to submit their own essay. Copying another group's work or submitting answers from the internet will result in a failing grade and sanctions according to UCSC's [Academic Misconduct Policy](#).

## Schedule

Week start date	Topic	Assigned readings	D/E (W)	PS (Th)	Excel (F)
7/25	Fin. assets, markets, institutions	BKM 1.1-1.6, 2-4: Asset classes, markets, trading, mutual funds	7/29 <sub>d</sub>	7/30	-
	Excel	<a href="#">Excel Primer, You suck at Excel</a>	-	-	-
	Time value of money	Ivo Welch: <a href="#">2.4-2.5, 3.1-3.3</a>	7/29 <sub>e</sub>	7/30	7/31
8/1	Risk and return	BKM 5.1-5.4: Risk and return	8/5 <sub>d</sub>	8/6	8/7
	Portfolio management	BKM 5.5: Asset allocation; BKM 6.1-6.4: Diversification	8/5 <sub>e</sub>	8/6	8/7
8/8	Index models, CAPM	BKM 6.5 (first 4 pages): index model, 7.1-7.3: CAPM	8/12 <sub>d</sub>	8/13	8/14
	Bonds	BKM 10.1-10.5: Bond prices, yields	8/12 <sub>e</sub>	8/13	8/14
8/15	Stocks	BKM 13.1-13.4: Equity valuation	8/19 <sub>d</sub>	8/20	8/21
	Options and futures	BKM 15.1, 15.2: Option markets; BKM: 17.1-17.4: Futures	8/19 <sub>e</sub>	8/20	8/21
8/22	Efficient markets	BKM 8: Efficient markets	8/26 <sub>d</sub>	8/27	-
	Personal finance	<a href="#">How millennials can get rich slowly.</a> , <a href="#">Arithmetic of active mgmt.</a>	8/26 <sub>e</sub>	8/27 (final)	8/28 (capst.)

D/E: Discussion (<sub>d</sub>) or essay (<sub>e</sub>) (both on Canvas)

PS: Numerical problem set (on Accepi through Canvas)

Excel: Excel problem set (on Accepi through Canvas)

## Important Summer Session Remote 2020 Deadlines

Session 2:

Drop: Monday, August 3

Request for "W": Friday, August 14

Summer is unique. **You will not be dropped for non-attendance or non-payment.** You must drop yourself. Dropping before the deadline results in a 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](mailto:summer@ucsc.edu).

## DRC Remote 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. Operations continue via remote appointments. If you have questions or concerns about exam accommodations or any other disability-related matter, email the DRC Schedulers at [drc@ucsc.edu](mailto:drc@ucsc.edu) for an appointment.

## Small Group Tutoring

Small Group Tutoring (SGT) supports students academically to advance educational equity by designing inclusive learning environments outside of the classroom. In SGT, you can expect the Tutor to facilitate cooperative group activities designed to have students work together on the course content and develop study skills for the course. SGT is offered at least three times each week for the entire quarter. The Tutor is an undergraduate student who took the class, did well, and is trained to facilitate group sessions to

focus on students' needs to succeed in the course. SGT is open to all students enrolled in the class and they must sign up on our online system: TutorTrac. When students sign up for SGT, they are committing to attend every week. For Summer 2020, students can begin signing up for tutoring on **Monday, June 22nd** and tutoring will begin **Wednesday, June 24th**. Students only have to sign up once for tutoring and their appointments will repeat weekly. Sign-ups will close on **Friday, August 14th** for all Summer Session Sign-Ups. This means that after **August 14th**, no new students can sign up for tutoring.

Want SGT to be successful for you? Bring your books, lecture notes, questions, and be open to working collaboratively with your peers. You can sign up using this link: <https://ucsc.go-redrock.com/tracweb40/NoAccess.4sp?errText=insufficient%20credentials%20to%20view%20content>

You can also find the link on our website: <https://lss.ucsc.edu/index.html>

### **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](http://titleix.ucsc.edu).

The Title IX Office is actively responding to reports and requests for consultation. If you are not currently working with someone in the office and want to make a report/request a consult, you can expect the fastest response by using our [online reporting link](#).

For more information please visit the [Title IX Operations under Covid-19](#) page.