

**UNIVERSITY OF TORONTO**  
**Financial Economics I - Investment (ECO358H1F)**  
**Fall 2019**

**Course Description**

ECO358 offers an introduction to economics of financial assets and financial markets. Topics we will discuss are: individual inter-temporal choice, expected utility theory, portfolio choice, security valuation, models of asset pricing, market efficiency, and the term structure of interest rates. We will also provide an introduction to futures and options. This course aims to offer essential materials for an understanding of the role and operation of financial markets. You should expect a combination of math-based theory and practical problems.

**Instructor**

Nathanael Vellekoop, PhD  
 Assistant Professor  
 Department of Economics, University of Toronto  
 150 St. George st, office GE222

**Contact**

Walk in office hour on Monday 14:00-15:00  
 E-mail [n.vellekoop@utoronto.ca](mailto:n.vellekoop@utoronto.ca)  
 I'm typically available right before, after and in the break of lectures.

*Please read the sections below on office hours and e-mail policy  
 before you contact me or the TA's.*

<b>Section</b>	<b>L0101</b>	<b>L0301</b>	<b>L5101</b>
Lecture	Tue 14:10-16:00	Mon 15:10-17:00	Tue 17:10-19:00
Tutorial	Tue 16:10-17:00, starting in week 2	Mon 17:10-18:00, starting in week 2	Tue 19:10-20:00, starting in week 2
TA office hours	Alison Taylor Thu, 11:00-13:00  Room GE 40 starting in week 2	Sobia Jafry Tue, 12:00-14:00  Room GE40 starting in week 2	Sara Hossain Mon 10:00-11:00 Wed 16:30-17:30 Room GE313 starting in week 2
TA email	Alison Taylor <a href="mailto:alisonkathleen.taylor@mail.utoronto.ca">alisonkathleen.taylor@mail.utoronto.ca</a>	Sobia Jafry <a href="mailto:sobia.jafry@mail.utoronto.ca">sobia.jafry@mail.utoronto.ca</a>	Duc Nguyen <a href="mailto:ducnguyen@mail.utoronto.ca">ducnguyen@mail.utoronto.ca</a>

Please attend the lectures and tutorials of the section you are assigned to, as well as the office hours and TA email contact for that section. All sections are fully booked, and so are the lecture rooms. Keep an eye on Quercus for changes.

## Prerequisites

You yourself are responsible to check and make sure that you have fulfilled all requirements set by the University of Toronto to participate in this course. You must have completed the appropriate prerequisites to continue in this course:

<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>

## Textbook (required)

“Investments” by Zvi Bodie, Alex Kane, Alan Marcus, Lorne Switzer, Dana Boyko, Christine Panasian, Maureen Stapleton, 2019, 9th Canadian edition, McGraw-Hill Ryerson. You can use older versions (at your own risk). I will not provide an overview of differences between versions.

	<b>Week of</b>	<b>Topic</b>	<b>Chapter</b>	<b>Tutorial</b>
1	9-Sep	Overview of securities markets	1-4	<i>No tutorial</i>
2	16-Sep	Risk, return and portfolio theory	5-7	Intro concepts
3	23-Sep	Risk, return and portfolio theory	5-7	week 2
4	30-Sept	Capital Asset Pricing Model (CAPM)	9	week 3
5	7-Oct	Arbitrage Pricing Theory (APT)	10	week 4
*	<i>TBC 10-Oct</i>	<b>Midterm 1</b>		<b>chapters 5-7, 9</b>
6	15-Oct	Efficient Market Hypothesis	11	<i>No tutorial</i>
7	21-Oct	Bond valuation	14-15	week 6
8	28-Oct	Equity valuation	18	week 7
*	4-Nov	<b>Reading Week</b>		
9	11-Nov	Forwards and futures	22	week 8
*	<i>TBC 15-Nov</i>	<b>Midterm 2</b>		<b>chapters 10-11, 14-15 and 18</b>
10	18-Nov	Options	20-21	week 9
11	25-Nov	Options	20-21	week 10
12	2-Dec	Behavioral finance	12	Wrap up, exam preparation
*		<b>Final</b>		

- This is a tentative list of topics covered, and it is likely that there will be changes.
- Note that there will be no tutorials in the week of October 15. Due to Thanksgiving Monday, all lectures that week will be held on Tuesday. Details will be posted on Quercus later.
- Midterm tests will be scheduled outside of classes. Day, time and location will be confirmed later. The midterm tests will be 2 hours each.
- The final test will be scheduled by the university in the period December 7-20. You should not make definitive travel plans in this time period. The final test will be 3 hours.
- For the midterm tests the coverage is scheduled. The final covers all materials discussed. In general, if a concept, definition or problem is discussed in class, it can be part of the test.

## Website

Announcements and course material will be posted on Quercus. I will post lecture slides before class. There may be minor modifications of slides before and after the lecture. I will post the questions from the book that will be discussed in the tutorial hour. There will be no solutions posted. It is your responsibility to regularly check Quercus for announcements.

## Office Hours

I will hold drop-in office hours every Monday beginning September 16 from 14:00-15:00. They will be on a first-come, first-serve basis. In principle only administrative issues can be discussed, but I am happy to talk about specific content questions as well (e.g. something I said during the lecture that was not clear even after you studied the book).

In general for questions about **course content** attend the office hours of the TA of your own section. With respect to the TA office hours, I encourage you to form small groups (3-4 students) and study together. Come either as a group to a TA office hour, or delegate questions to one member of your group. The more specific the question, the more helpful we can be.

## Email policy

The best form of communication in this course is in person, either with myself or with a TA, during class, right before or after class, and office hours. Questions about course administration can be emailed to me. Questions about course content should be addressed to your TA. Be prepared that for e-mails with many questions, or questions that require more elaborate answers, the reply e-mail can be "Please come to the office hour".

In any case (both in e-mails to me or to the TA's) please use your UTOR e-mail account (the "utoronto" account). E-mails from other accounts may not reach us and your e-mail address helps us to identify you. Please include the section code, your full name, preferred name, and student number in the body of the email. Also, please include the course code in the subject line (ECO358). For e-mails asking for a reply, allow for a response within three business days. If there is no response, please re-send your message to remind me or the TA.

## Grading

Participation	10%		
Midterm 1	20%	Thursday October 10, 2019 – 5:00 PM – 7:00 PM	TBC
Midterm 2	25%	Friday November 15, 2019 – 5:00 PM – 7:00 PM	TBC
Final exam	45%		

The midterms will be scheduled outside regular class hours. Days and times will be confirmed later, location will be announced later. This may present a conflict for some students. **In the event of a conflict, you must inform me by Thursday October 3<sup>rd</sup>, respectively Friday November 8<sup>th</sup>.** The university schedules the final exam in the examination period (December 7-20, 2019).

The **participation grade** will be based on small in-class assignments. Starting with the 2<sup>nd</sup> lecture until the 11<sup>th</sup> (including), there will be 10 small assignments. They can be during the lecture or the tutorial. Your grade will be based on 8, or the 8<sup>th</sup> best of them if you hand in 9 or 10. The goal is to stimulate class attendance and participation, as well as active learning. There will be no make-up possibilities.

I will use Crowdmark for grading in-class assignments, midterms and final exam. Your tests and assignments will be scanned and uploaded to Crowdmark. It is here that your work will be graded.

### **Practice exams**

Since this is the first time I will be teaching this course at the University of Toronto, there will be no practice exams available (course content differs with respect to last year). I will be mindful of this inconvenience, and will point during the lectures to aspects that will be important on the exam. There are plenty of practice questions in the book (though no solutions will be posted).

### **Missed tests**

If you miss a term test for a certified medical reason, or other approved cause, you must provide printed documentation (such as a medical note or death certificate) to validate your absence. Acceptable medical notes include the UofT Verification of Illness or Injury Form, Student Health or Disability Related Certificate, a College Registrar's Letter, or an Accessibility Services Letter. Further, you must submit the document(s) to me in person within five business days following the term test. You may do so either immediately following lecture or during my office hours. If you miss a term test for a certified medical reason, your grade-weight will shift to the makeup term test. The date of the makeup test will be announced later.

If you miss the makeup test for any reason, you will receive a grade of zero for the test. You may find the University of Toronto official Verification of Student Illness or Injury form here: <http://www.illnessverification.utoronto.ca/index.php>

### **Appealing your grade**

Disputes over the evaluation of a test should be discussed with me. Disagreement with the marking means that an error might have been made – for instance, the marker failed to consider a part of your answer. Conversely, suggesting that you believe you deserved a higher grade is not a valid reason for a re-grade. After reviewing the solution posted on the course website, submit in writing (no e-mails) the re-grade request form on Quercus. You must submit your appeal no later than one week (5 business days) after the solutions have been posted on Quercus. In your appeal, you must identify the questions that you believe were marked incorrectly and provide an explanation as to why you believe you deserve additional marks. Please note that all questions will be remarked – not only the question in dispute. As a result, your grade for the test can be higher, the same, or lower.

### **Academic integrity**

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honours the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently. According to Section B of the University of Toronto's Code of Behaviour on Academic Matters <https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019>, which all students are expected to know and respect, it is an offence for students:

- To obtain unauthorized assistance on any assignment.

- To provide unauthorized assistance to another student. This includes showing another student completed work (e.g., an answer on a test).
- To falsify or alter any documentation required by the University. This, includes, but is not limited to doctor's notes.
- To use or possess an unauthorized aid in any test or exam (e.g., a cell phone).
- To continue writing when the time is up in any test or exam.
- To submit a medical note to get out of a test when the student is not actually sick.

There are other offenses covered under the Code, but these are by far the most common. Please respect these rules and the values which they protect. For useful tips for avoiding academic misconduct, please visit the website of the Office of Student Academic Integrity at <https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity>.