HANDBOOK
Financial Economics
JEB120

Winter Semester
Academic Year: 2019/2020
1 Contact, Communication & Materials

For any course related questions please contact lecturer:

- František Čech: frantisek.cech@fsv.cuni.cz

Please always use specific subject of the email "Financial Economics - WS 2019-2020:" and than continue with your problem.


All the course related materials will be published in the course web-page in the Student Information System: https://is.cuni.cz/studium/predmety/index.php?do=predmet&kod=JEB120

2 Course schedule

The course consists of 11 lectures and 11 seminars. There is one lecture and one seminar taught each week.

- Lectures are held on Tuesday: 11:00 - 12:20, room 109.
- Seminars are held on Tuesday: 12:30 - 13:50, room 109.

Tuesday, 29.10.2019, is the "Dean’s Holiday" and there is no class - the lecture and seminar is moved to Friday, 1.11.2019, 12:30-15:20, room 314

3 Grading

In total, the student can obtain

- 20 pts - Homework assignment
- 30 pts - Midterm exam - 12.11.2019, 11:00-12:20, room 109
- 50 pts - Final exam
- Bonus points - student can be awarded for active participation during lecture and exercise sessions and earn up to 5 bonus points.

To pass the course students have the following necessary conditions:

- Obtain 50.5 points or more from the homework, midterm exam and final exam.
- Obtain 25 points or more from the final exam.
The final grade will be determined according to the following table:

<table>
<thead>
<tr>
<th>Final Score$^a$</th>
<th>Grade</th>
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<tbody>
<tr>
<td>90.5 - 100</td>
<td>A</td>
</tr>
<tr>
<td>80.5 - 90</td>
<td>B</td>
</tr>
<tr>
<td>70.5 - 80</td>
<td>C</td>
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<tr>
<td>60.5 - 70</td>
<td>D</td>
</tr>
<tr>
<td>50.5 - 60</td>
<td>E</td>
</tr>
<tr>
<td>0 - 50</td>
<td>F</td>
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</tbody>
</table>

4 Examination planning

There will be only three dates to write the test in the examination period so that each student can exploit all three chances to pass the course. It is thus not advisable to wait until the last examination date.

The dates of the written examination are following:

→ 14.1.2020; 11:00-12:30; room 109
   - register/deregister until 13.01.2020 23:59
→ 28.1.2020; 11:00-12:30; room 109
   - register/deregister until 27.01.2020 23:59
→ 11.2.2019; 11:00-12:30; room 109
   - register/deregister until 10.02.2020 23:59

There will be also one term for the written examination before Christmas.

→ 17.12.2019; 12:30-14:50; room 109

CAUTION:
Students must register for final exam in SIS.
During the midterm and final exam:

- students are allowed to use only a non-programmable calculator
- it is strictly prohibited to use electronic communication devices such as smartphones or laptops
- it is strictly prohibited to use books, lecture notes, own notes etc.
- teamwork and/or the exchange of notes is strongly prohibited
- any violation of the rules will results in 0 point from the test and 20 points reduction from the following attempt
5 Homework, Midterm Exam, Final Exam

Homework

Homework will consist of two parts. In the first part, students are supposed to solve computational exercises. Students will have two weeks to solve the exercise part of the homework – exact due date will be specified in the assignment. Group discussion in solving the assignment is encouraged, however, each student is supposed to write their own answers in their own words.

In the second part, students should write a short (2-3 pages) essay on given/selected topic. Essays will be due on Monday, 6.1.2020 - 23:59. For students taking final exam before Christmas deadline will be Monday, 9.12.2019 - 23:59. Both parts of the homework are subject to late penalties 20% for the first day, 50% for the second day. Assignments are not accepted after the second day.

Midterm Exam

Midterm Exam will be composed from topics covered up to the November 5, 2019 included.

Final Exam

Final Exam will be composed from all topics covered during semester. The topics from Course Content section not covered during classes will not be included in the Final Exam.

6 Course Content

Money and Monetary Institutions

• the evolution of money and its functions, money aggregates, the role of money in the short versus long run, time value of money

Financial Markets, Financial Institutions, Banks and Banking

• comparison of real and financial assets, agents and clients of financial markets, the evolution of financial markets, market structure, ongoing trends (globalization, securitization, financial engineering, regulation, and liberalization)

• the role and evolution of banks, regulation of banks, the role and function of central banks, adverse selection and moral hazard in a lender-borrower relationship

Financial Engineering and Financial instruments

• introduction of money markets, bond markets, equity securities, stock and bond market indexes, derivative markets, exchange-traded markets, over-the-counter markets, forward and future contracts, options, and arbitrage

→ Fixed Income Securities

– bond characteristics, bond pricing, bond yields, yield curve, yield curve and future interest rates, interest rate structure
→ Options and Futures

- value of options, option strategies, option valuation, future contracts, trading mechanisms in futures contracts, future market strategies

Security analysis

- macroeconomic and industry analysis, intrinsic value versus market price, financial statement analysis

Portfolio Choice and Portfolio Management

- interest rates, risk and risk premium, real versus nominal risk, risk and risk aversion, systematic versus intrinsic risk, portfolio risk, optimal portfolio, portfolio diversification, mean-variance analysis, capital asset pricing models (CAPM), portfolio performance valuation, international diversification, the process of portfolio management

Efficient Markets vs Behavioral Finance

- efficient market hypotheses, empirical challenges to efficient market hypotheses, the role of psychology in behavioral finance

Bank Crisis and International Financial System

- causes of the current global banking crisis, shadow banks and the financial crisis of 2007-2008, the role of government in sustainable banking, foreign exchange markets and exchange rate regimes, international money and capital markets, growing interdependence of financial markets, sources of financial risks

Note: The instructor reserves the right to modify content of the course and will notify students accordingly (in class and in Student Information System).

7 Literature

- Bodie, Kane, Marcus: Investments. Tenth global edition, 2014
- Milne: The Fall of the House of Credit, 2009