



**Faculty of Science Course Syllabus**  
**Department of Economics**  
**ECON 3800**  
**Financial Economics**  
**Winter 2023/2024**  
**Course CRN: 21010**

*Dalhousie University acknowledges that we are in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq People and pays respect to the Indigenous knowledges held by the Mi'kmaq People, and to the wisdom of their Elders past and present. The Mi'kmaq People signed Peace and Friendship Treaties with the Crown, and section 35 of the Constitution Act, 1982 recognizes and affirms Aboriginal and Treaty rights. We are all Treaty people.*

**Instructor**

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**Teaching Assistant**

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**Time Table**

**Lecture Hours:** Format: in-person, Tuesday and Thursday: 10:05 am-11:25 am, Studley LSC COMMON AREA C334

**Instructor's Office Hours:** Wednesday: 4:30 pm – 6:00 pm, room A13 (or by appointment via Teams)

**TA's Office Hours:** Tuesday: 2: 35 pm – 4:05 pm, room A1

**Course Description**

This course, as a continuation of Money and Banking, is designed to introduce to students the fundamental concepts, principles, and issues of financial economics in today's increasingly interrelated and complex financial markets.

This course will cover theories on consumers' investment behaviours, capital market structure, portfolio theory, asset pricing, bonds analysis, and equity research. In addition, this course will examine common practices and emerging new ideas in the financial industry and community.

How to combine the latest financial theories with the best practices has been a perennial challenge

in financial economics. In this course, the instructor attempts to address the topics with this challenge in mind. Students will not only study theories but also apply them to their research projects.

This course advocates the idea that the financial side of economic activities is a mirror image of the real side of these activities and that fundamental analysis of economic activities is indispensable to financial economics.

### **Course Pre-requisites**

ECON 2200.03 (or ECON 2210.03 or ECON 2220.03), ECON 2201.03 with minimum grades of C.

### **Course Material**

1. David G. Luenberger, Investment Science, 2nd Edition, Oxford University Press, 2014. ISBN 978-0-19-974008-6.
2. Lecture Notes on Financial Economics, by Xu Kuan (2021)

### **Other Recommended Readings**

1. William F. Sharpe, Gordon J. Alexander, Jeffery V. Bailey, David J. Fowler, and Dale L. Domian, Investments, 3rd Canadian Edition, Prentice Hall Canada, 2000, ISBN 0-13-011445-6.
2. Frank K. Reilly and Keith C. Brown, Investment Analysis and Portfolio Management, 10th Edition, Thomson/South-Western, 2012, ISBN-13: 978-0538482387 ISBN-10: 0538482389.

### **Course Assessment**

The course grade is determined by the following components:

In-class Test 1 (Feb 6)	15%
In-class Test 2 (Mar 21)	15%
Preliminary Group Project (Mar 8)	5%
Final Group Project (Apr 10)	15%
Final Exam (TBA)	50%

### **Grade Scale**

Final grades will be assigned according to the following scale:

A+: greater than or equal to 90 A : greater than or equal to 85 but less than 90 A-: greater than or equal to 80 but less than 85	Excellent
B+: greater than or equal to 77 but less than 80 B : greater than or equal to 73 but less than 77 B-: greater than or equal to 70 but less than 73	Good
C+: greater than or equal to 65 but less than 70 C : greater than or equal to 60 but less than 65 C-: greater than or equal to 55 but less than 60	Satisfactory
D : greater than or equal to 50 but less than 55 F : less than 50	Marginal Pass inadequate

### Tentative Schedule

The following is a *tentative* schedule for the course.

Lecture 1: Saving, Wealth, and Investment	Week 1
Lecture 2: Financial Markets and Trading of Securities	Weeks 2-3
Lecture 3: Portfolio Theory	Weeks 3-4
Lecture 4: Asset Pricing Models	Weeks 4-6
Lecture 5: Bond Analysis	Weeks 7-8
Lecture 6: Equity Analysis	Weeks 9-12

### Course Policy

Please note that the following rules apply in the course:

1. Please read relevant parts of Lecture Notes before each class.
2. Please study relevant review questions at the end of each chapter in Lecture Notes and do assigned exercises after each class. Doing these exercises is essential for preparing for the in-class tests and the final exam.
3. Each test will be 40 minutes long from 10:05 AM to 10:45 AM and then class will resume at 10:55 AM during the class time.
4. If a student misses any test for a justifiable reason, the missed 15% will be automatically added to the final exam. No make-up test will be given.
5. Additional exercises and answer keys will be distributed to students but your work for these exercises will not be graded.
6. All students in this course will do a group project on equity research. The instructor will post related reading materials, sample projects, and evaluation criteria at Brightspace to ensure that students can read these materials throughout the term.
7. Each group should have 2-3 students. When a group is formed, please elect a group coordinator who should send the names of group members to Yongpei.Cai@dal.ca no later than January 18.

8. The group members shall contribute about equally to their group project. In a group of two students, each student should contribute a share of 50%. In a group of three students, each student should contribute a share of 33.33%; if student F does not contribute sufficiently to the group project, his or her work can be evaluated by the other student in a group of two or by two other students in a group of three. The contribution share evaluations must be submitted to the instructor. The instructor then uses these evaluations of the contribution share to determine the share of contribution of student F. For example, if the other student in the group of two believes that student F only contributes a share of 10% to the group project and the group project has received 90%, student F will receive only  $\frac{10}{100/2} = 20\%$  of that 90%, or only 18% for the project while the other student will receive 90%. For example, if, on average, the other two group members in the group of three believe that student F only contributes a share of 10% to the group project and the group project has received 90%, student F will receive only  $\frac{10}{100/3} = 30\%$  of that 90%, or only 27% for the project while other two students will receive 90% each.

9. For the group project, students should be aware of the services available at the Writing Centre and must finish the Academic Integrity Module at

[https://www.dal.ca/campus\\_life/academic-support/writing-and-study-skills.html](https://www.dal.ca/campus_life/academic-support/writing-and-study-skills.html)

10. Please note that the final report on the research project (both hard copies and electronic files) will not be returned. Students should keep their own files.

11. To discourage late submission of the final reports, this course imposes a penalty scheme on late submissions | a 25% deduction from the total marks for one day delay in submission.

12. The final exam will be 3 hours long and cumulative, covering the materials for the entire course.