

City University of Hong Kong

Information on a Course offered by the Department of Economics and Finance with effect from Semester A in 2013/2014

Part I

Course Title: Financial Economics

Course Code: EF8077

Course Duration: 1 semester (39 hours)

Credit Units: 3

Level: R8

Medium of Instruction: English

Prerequisites: Nil

Precursors:

EF8070 Advanced Microeconomics,
EF8072 Advanced Macroeconomics &
EF5470 Econometrics

Equivalent Courses: EF5404 Financial Economics

Exclusive Courses: *(Course Code and Title)*

Part II

Course Aims

The objective of the course is to present both theoretical issues and material of practical value in financial economics and to develop students' analytical skills and economic sense of the financial markets through lectures, problem assignments, reading assignments, projects and discussions.

Course Intended Learning Outcomes (CILOs)

Upon successful completion of this course, students should be able to:

No.	CILOs	Weighting (if applicable)
1.	Understand the concept of the stochastic discount factor, the Euler pricing restrictions and their relation to traditional portfolio analysis	15
2.	Understand fundamental asset pricing models such as the CAPM and consumption CAPM in detail	20
3.	Understand the theoretical underpinnings and empirical support of conditional asset pricing models such as the ICAPM, Jagannathan and Wang (1996) and Lettau and Ludvigson (2001) models	20
4.	Understand the testing of asset pricing models with the use of cross sectional regressions	20
5.	Understand the use of GMM tests of Euler asset pricing restrictions as a way of evaluating asset pricing models	15
6.	Discover, through a project, the current performance of previously proposed asset pricing models	10

Teaching and Learning Activities (TLAs)

(Indicative of likely activities and tasks designed to facilitate students' achievement of the CILOs. Final details will be provided to students in their first week of attendance in this course)

CILO No.	TLAs	Hours/week (if applicable)
CILO 1 - 5	Lectures, in-class discussions, assignments	Equivalent of 2.5 hours lecture and discussions per week
CILO 6	Discovery based project work	Equivalent of 0.5 hr/wk

Assessment Tasks/Activities

(Indicative of likely activities and tasks designed to assess how well the students achieve the CILOs. Final details will be provided to students in their first week of attendance in this course)

CILO No.	Type of Assessment Tasks/Activities	Weighting (if applicable)	Remarks
CILO 1 - 5	Exam (one 3-hr examination)	60 %	
CILO 1 - 5	Homework assignments, discussions	10 %	
CILO 1 - 5	Mid-term exam	20%	
CILO 6	Discovery based project	10%	

Students are required to pass both coursework and examination components in order to pass the course.

Grading of Student Achievement: Standard (A+AA-...F)Part III

Keyword Syllabus

Capital Markets, Asset Pricing, Stochastic Discount Factor, Optimal Portfolio, Mean-Variance analysis, Cross sectional regression, Euler restrictions, GMM, CAPM, Consumption CAPM, Conditional CAPM, Conditional consumption CAPM, ICAPM, human capital, discover current performance of asset pricing models

Recommended Reading

Text(s)

John H. Cochrane, Asset Pricing, Revised ed., Princeton, 2005.

Costis Skiadas, Asset Pricing Theory, Princeton, 2009.

Online Resources

Journals

Journal of Finance

Journal of Financial Economics

Review of Financial Studies

Journal of Financial and Quantitative Analysis