

Investments

Finance 510, Fall 2012
Liautaud Graduate School of Business
University of Illinois at Chicago

Instructor

Asst. Prof. Dale W.R. Rosenthal `daler@uic.edu`
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Relevant Experience

Proprietary Trader/Researcher. Equity Trading Lab, Morgan Stanley. 2000–2003
Strategist. Equity Derivatives, Long-Term Capital Management. 1995–2000
Intern Programmer/Analyst. Listed Equities (Block Desk), Goldman Sachs. 1993, 1994.

Class Times Tuesdays, Douglas Hall 170, 6:00pm-8:30pm

Office Hours TBD

Summary

This course introduces capital markets, asset pricing, risk models, portfolio theory, derivatives, and investment management. After this course, students should understand:

1. valuation and risk models for stocks and bonds;
2. how to analyze a portfolio of securities;
3. basic workings of derivative contracts; and,
4. the investment management industry.

Prerequisites Introductory finance (Fin 300 or 500) and statistics (Math 166 or IDS 531)

Coursework

I expect you to do the reading and come prepared to ask questions and discuss current financial events.

I will give in-class quizzes along with a final. Quizzes will include questions about current levels of market indicators.

Grading 10% class participation, 30% in-class quizzes, 60% final.

Please note that you cannot pass with few/no quiz points.

Handouts Please print the week's handouts before each Tuesday and bring them to class.

Required Materials

Bodie, Kane, and Marcus, *Investments*, 8th Ed., 2008.
Regularly: *Wall Street Journal* or *Financial Times*.
Blackboard/Docutek Readings.

Optional/Reference

Downes and Goodman, *Dictionary of Finance and Investment Terms*, 2006.
Lewis, *Liar's Poker*, 1989.
Lo and MacKinlay, *A Non-Random Walk Down Wall Street*. 2001.
Lowenstein, *When Genius Failed*, 2001.
Malkiel, *A Random Walk Down Wall Street, 9th Ed.*, 2007.

Week-by-Week Outline

Week	Topic	Reading
1	Introduction, Asset Classes	Ch. 1, 2
2	How Markets Work	Ch. 3, Slides
3	Portfolio Statistics, Risk	Ch. 5
4	Fixed Income	Ch. 14, 15
5	Equity Valuation	Ch. 17, 18
6	Portfolio Construction	Ch. 6, 7
7	Capital Asset Pricing Model	Ch. 8, 9
8	Arbitrage Pricing, Factor Models, EMH	Ch. 10, 11
9	Behavioral Finance, Anomalies	Ch. 12, 13
10	Passive Portfolio Management	Ch. 16, 24
11	Active Portfolio Management	Ch. 27
12	Derivatives (Futures, Swaps, Options)	Ch. 20–23
13	Investment Management Companies	Ch. 4, 26
14	Incentives, Catastrophic Failure	Notes

Schedule Commentary

- We will have no class on September 25.
- We *will* have class the week of Thanksgiving.
- The last class is December 4.
- The final is on December 11 (same time and place as class.)