Lecturer: Giulio Seccia
Office: 8.233
Email: giulio.seccia@nu.edu.kz
Office hr: Tue 13:30-14:30 (or by appointment only if this time overlaps with other lectures).
Lecture: Tue and Thu 12:00-13:15 - Room 8.327
TA: TBA
TA's Office Hr: TBA. Room TBA
UG Tutors: Tumar Kadyrova (tumar.kadyrova@nu.edu.kz): Office hr: Tue and Thu 13:30-15:00. Location: please contact Tumar directly.
Amir Saimassay (amir.saimassay@nu.edu.kz): Office hr: Wed 13:00-15:00. Location: please contact Amir directly.

Pre-requisites: Intermediate Microeconomics.

Course Description: The course is an introduction to the classic theories of finance. We will study how financial assets are priced and the role of financial markets in the optimal allocation of risk bearing. It will also provide an overview of financial markets and institutions.

Course aims

- Provide students with knowledge of the classic theories of finance and asset pricing.

- Provide the students with basic tools for the understanding of the functioning of financial markets.

- Provide student with an understanding of contemporary issues in financial markets.

Course learning outcomes (CLOs) By the end of the course, the student will be expected to be able to:

- Demonstrate knowledge of the classic models of financial markets.

- Employ mathematical formalizations of economic models to characterize the financial equilibrium of a simple two-period economy under uncertainty and be able to price financial assets in that context.

- Understand the role of financial markets on the economic equilibrium outcomes, with and without information asymmetries.

- Describe the main features of financial markets worldwide.

Course outline: Here is a selection of the topics we will cover:

1. Consumption/production choice overtime: Fisher Separation Theorem

2. Choice under uncertainty
3. Assets and portfolios
4. Complete financial markets
5. Incomplete financial markets
6. Options
7. The Modigliani-Miller propositions
8. Asymmetric information in financial markets:

    (a) The informative content of equilibrium prices
    (b) Economic efficiency vs. informational efficiency
    (c) Myers and Majluf 's pecking order theory.

9. Markowitz's mean-variance portfolio theory
10. Two-fund separation theorem
11. The Capital Asset Pricing Model.

Course Notes/Textbook: The course is based on *Lecture Notes* available on Moodle. These represent the required material for the course.

Suggested but not required readings:

Danthine J.P. and B. Donaldson (2015), *Intermediate Financial Theory*, Pearson Education. Probably the best book at this level.

Eeckhaudt, L., C. Gollier and H. Schlesinger (2005), *Economic and Financial Decisions under Risk,* Princeton University Press. Excellent book, mostly on single-agent financial decision making.

Other textbooks you might consider:

Copeland, T., J. F. Weston and K. Shastri, *Financial Theory and Corporate Finance*, Addison Wesley (any edition). More useful for the part on Fisher separation theorem and CAPM.

Elton E., M. Gruber, S.J. Brown and W. N. Goetzmann, *Modern portfolio theory and investment analysis*, Wiley, any edition. Useful for portfolio theory in mean-variance analysis (Ch. 8-11).

Advanced

Lengwiler, Y. (2006), *Microfoundations of financial economics,* Princeton. University Press.

LeRoy S. and J. Werner (2001), *Principles of Financial Economics,* Cambridge University Press. PhD level lecture notes.

Mas-Colell A. M. Whiston and J. Green (1995), *Microeconomic Theory,* Oxford University Press. Advanced Micro textbook. Ch. 19 is useful for this course.

Non-technical, but interesting readings:

Bernstein, P.L., (1998) *Against the Gods: The Remarkable Story of Risk*, Wiley. A historical perspective of risk and financial instruments.

Videos There is plenty of interesting videos accessible today that might help in course, e.g., Fama and Thaler debate on Efficient Markets at `https://www.youtube.com/watch?v=bM9bYOBuKF4`.

Students are expected to follow the financial news reported in the Financial Times, available online. We will refer to them during the course and the recent events might provide the motivation for the questions in the tests and exam. In order to access the FT, follow the library instructions at `https://nu-kz.libanswers.com/faq/173058`. You need to register with your NU email address.

Class attendance and behaviour policy

Punctuality: Students are expected to come to class on time. I reserve the right not to accept students coming after the lecture starts.

Use of cell phones: The use of cell phones during lectures is a distraction to me and your colleagues and cell phones are strictly prohibited during the lecture. I reserve the right to ask you to leave the lecture room (and record your absence) if you are seen texting on cell phones.

Use of laptop: Same as cell phone policy.

Attendance policy: According to NU attendance policy *"Students are required to be present at the beginning of the semester or term and to remain until the work of the semester or term is completed."* Moreover, *"Faculty may lower grades or initiate a withdrawal from a course if there is a violation of the instructor's attendance policy."* If you miss more than one lecture in the first two weeks of lecture, you are dismissed from the course. After that, if you are absent 20% of the times attendance is recorded, you might not be allowed to complete the course.

AI use policy: If AI tools can help you in better understanding the content of the course, you are welcome to use them.

Unless you ask before, once the lecture starts students are not allowed to leave and come back to the room. If you leave you won't be allowed to come back in and you will be recorded as absent.

Assessment and grading:

Problem Sets and quizzes: Students are expected to solve 5 problem sets. Although these won't be graded the quizzes that will be taken in class and graded will be based on the problem sets questions. Each quiz is worth 5 points. The dates are as follows:

Quiz 1: Due on AUG 28
Quiz 2: Due by SEP 9
Quiz 3: Due by SEP 16
Quiz 4: Due by OCT 30
Quiz 5: Due by NOV 11

There is no make-up for missed quizzes.

Presentations: Students will give group presentations on different issues related to finance. The topics will be communicated later in the course.

Presentations will take place on TUE, NOV 18 and THU, NOV 20. Points: 10.

Bloomberg Market Concepts (BMC): Students are expected to enroll in the Bloomberg Market Concepts course (link: `https://portal.bloombergforeducation.com/`) and complete the following 4 modules: Economic Indicators; Currencies; Fixed Income; Equities and the deadline for completing the Certificate is Oct 9th. Students should provide the screenshot of the percentage scores for each individual module. Points: The average of the scores will be divided by 10.

There will be two tests during the course:

Test 1: THU SEP 25, Time TBA. 25 points.

Test 2: THU NOV 14, Time TBA. 30 points

There is no make-up test for Test 1 and the points will be reallocated to Test 2. If you do not take Test 2, you will be able to retake it only in case of death of an immediate family member (parent, sibling, child or spouse) or severe illness.

Grades will be curved at the end once the total grade is computed and then mapped into letter grades. No rounding will be done out of the curved totals (i.e., if your grade ends in x4.99 or x9.99 this is not moved to the next letter grade. Please, refrain from asking to round your grade up to the next category).

Your course grade is determined by the weighted average of assignments and test scores according to the following scale:

A: 95-$\leq$ 100

A-: 90-94.99

B+: 85-89.99

B: 80-84.99

B-: 75-79.99

C+: 70-74.99

C: 65-69.99

C-: 60-64.99

D+: 55-59.99

D: 50-54.99

Academic Dishonesty

Students are expected to act with integrity. Cheating and plagiarism will not be tolerated. Any student deemed academically dishonest will be reported to the SSH disciplinary committee. Any cases of academic misconduct will be handled in accordance with the procedures of the Student Code of Conduct. The penalties may include anything from failing

grade on a particular assignment to a loss of stipend, and even, dismissal from the University. You can read more about academic misconduct in the Student Code of Conduct: https://aao.nu.edu.kz/academic_integrity

Course expectations

E-Learning Bloomberg Market Concepts