**ECB 243: INVESTMENTS**

September 2018

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**Classroom:** College Hall 301

**Class Hours**

**9-11:10** am every weekday

**1:30-2:45** pm on Monday, Tuesday and Thursday

**Office Hours**

**1:00-1:30** pm every weekday or by appointment

**Prerequisites**

ECB 101 or 102, ECB 151, and either STA 201 or 348

**Course Overview and Objective**

This course provides an overview of the main financial markets and focuses on financial theory useful for making investment decisions by individuals as well as institutional investors (mutual & hedge funds, pension funds, corporate treasurers, etc.).

Any sound investment decision requires a thorough and in-depth knowledge of the financial environment. This course covers a variety of markets and securities in three broad categories of equity, debt and derivatives including stocks, treasury and corporate bonds, futures and options. The simulation software **Stock Trak** and case studies will be used to provide you with hands-on exposure to the process of investment management including identification of objectives and constraints, asset allocation and performance evaluation.

This course is quantitative by nature, as rigorous analytical thinking and careful quantitative analysis is an integral part of investment process. Solving quantitative problems and Excel data analysis is a large part of what we will do this block. I will review the required mathematical background where necessary. You could find a lot of Excel tutorial video online, such as: <http://www.youtube.com/watch?v=8L1OVkw2ZQ8>. Please also note that support is available from the quantitative reasoning studio outside of class (<http://www.cornellcollege.edu/library/ctl/qr/index.shtml>).

*This course supports the Educational Priorities and Outcomes of Cornell College with emphasis on knowledge, quantitative reasoning, communication and ethical behavior.*

**Course Material**

Required Reading

* **Essentials of Investments** (9th edition), by Bodie, Kane, and Marcus (ISBN: 978-0-07-803469-5). Available at the college Bookstore (eBook may also be available).
* **Harvard Case Studies:** Link on Moodle (also see “case study” on the next page)
* **Wall Street Journal** (Cole Library 4th floor, Newspapers; or electronically available through ProQuest)

You can use the following link to access WSJ articles using library computers:

https://search.proquest.com/publication/10482/citation?accountid=41461

Recommended Reading

* **The Little Book that Still Beats the Market**, by Joel Greenblatt and Andrew Tobias (ISBN: 978-0-470-62415-9)
* **Economist** (Cole library 3rd floor, Periodical Shelves; or electronically available by checking out an electronic subscription through Zinio)

**Class Format**

The morning sessions will be mostly dedicated to lectures based on our textbook “Essentials of Investments”, In-class problem sets designed to review important concepts and develop analytical skills, case studies and exams. During the afternoon sessions we will spend our time on reading assignments, the Stock Trak simulation project or continue with lectures/problems where necessary.

The lecture notes will be available on Moodle. However I will be mostly using the board for lecturing and you may need to take additional notes in class. I expect you to read the lecture notes before each session and actively participate in class discussions.

* **Please bring your laptop and calculator with key so that you can participate (financial calculator is preferred)**
* **Please do not be shy about asking questions or asking me to repeat anything that is not clear to you.**

**Grading**

1. 3 Exams **50%**

**Exam1: 15%, Exam2: 15%, Final: 20%**

1. 3 Quizzes **6%**
2. Homework **26%**

**14% individual+6% group case studies +6% group reading**

1. Stock Trak project **10%**
2. Class participation **8%**

**100%**

* I reserve the right to use my discretion at the margin, and things such as class participation will be considered in borderline cases.

**Exams**

There are 2 midterm exams and a final. All exams are closed book, and to be done independently. You may bring one page of hand-written notes and not share with others. The final exam is cumulative with more focus on materials not covered in the first 2 exams. You can use (financial) calculators during the exam. See the course schedule for the exam dates.

**Quizzes**

You will have 3 quizzes, each accounting for 2% of your final grades. All policies regarding the exams apply for quizzes as well.

**Homework**

You will have seven individual homework assignments, each accounting for 2% of the final grade, two case study memos and two reading assignments to be done in groups. The due date for each assignment is showed in the course schedule on the last page. **No late work accepted.** For individual assignments, group discussion is encouraged. However, you need to hand in your own answers in details.

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| --- | --- |
| Potential Homework Problems | |
| HW1 | **Ch1:** 8,12,14  **Ch2:**17,18,24,25,28, CFA1 |
| HW2 | **Ch3:**12,16,18,20,21,CFA1&2  **Ch4:**13,15,21 |
| HW3 | **Ch5:**5,6,12,13,14,18 |
| HW4 | **Ch6:** 1-4, 6,7,8-12,21  **Ch7:**4-7, 12,13-19,25,27 |
| HW5 | **Ch8:**6,7,9,13,17 |
| HW6 | **Ch10:** 4-9,14,15,20,CFA2&5  **Ch13:**14,15,20, CFA2&3 |
| HW7 | **Ch17:**7,11  **Ch15:**4,5,6,8 |

**Case Study**

We will study two main cases during this course that will help us apply our knowledge to real life situations. **I expect your active and effective participation in case discussions.** Case studies provide a good opportunity to enhance your teamwork skills. For each case, I will assign study questions to guide your preparation for class discussion. You are expected to discuss those questions with your team members before class. After the class discussion, your group will hand in a brief (approx. two pages) memorandum answering questions which I will provide in class. Your memorandum must be typed and double spaced. It is due one day after the class discussion. **No late work accepted.**

Links for purchasing cases:

<https://cb.hbsp.harvard.edu/cbmp/product/201061-PDF-ENG>

<https://cb.hbsp.harvard.edu/cbmp/product/292122-PDF-ENG>

**Reading assignments**

Reading assignments are to be done in groups and each account for 3% of your final grade. I will assign each group 2/3 articles from WSJ to read and discuss among your team members. During the class each group will deliver a 10 minute presentation of the articles and connect them to our class lectures. Articles are going to be around a similar topic for all groups to elicit discussions. Each group should also read the articles assigned to other groups before class and be ready to ask at least two relevant questions after their presentations. Your grades are based on the quality of your presentation and your active participation in discussions.

**Stock Track Project**

Over the course of the block, you will participate in a real-time, investment simulation via the Stock Trak platform. Your team will be assigned the role of a fund manager with $500,000 to invest worldwide. Details will be provided in a separate handout and discussed in class. Please remember to bring your laptop in the afternoon classes for Stock Trak practice.

You can use the following link for registration:

<http://www.stocktrak.com/members/registerstudent?className=ECB243Fall2017>

**Class Participation**

You are expected to attend every class on time and actively participate in class discussions. Your participation grade will be negatively impacted by absence and lateness. If you are late for three times or more, you will lose all participation points. If you miss three days of class or more, you will get a “D” or a “F”.

**Electronic policy:** Please keep your cell phones, laptops or any electronic devices turned off during class. The only exception is when I ask you to use laptops to do a case study or Stock Track or Excel activity. Please do not any other electronic devices as calculator.

**Academic Honesty**

Academic dishonesty will not be tolerated and will be dealt with in accordance with Cornell’s Student regulations. For more information see <http://www.cornellcollege.edu/registrar/academic-catalogue/index.html#p=32>.

**Special Needs**

Students who need accommodations for learning disabilities must provide documentation from a professional qualified to diagnose learning disabilities. For more information see <http://www.cornellcollege.edu/disabilities/documentation/index.shtml>.

Students requesting services should schedule a meeting with the disabilities services coordinator as early as possible to discuss their needs and develop an individualized accommodation plan. Ideally, this meeting would take place well before the start of classes. At the beginning of each course, the student must notify the instructor within the first three days of the term of any accommodations needed for the duration of the course.

**Tentative Course Schedule**

This schedule is preliminary and will be adjusted as necessary based on the pace of the class.

* **I expect you to read the chapter listed, prior to the day we begin discussing the material in that chapter.**

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| --- | --- | --- | --- |
| **Date** | **Topic** | **Chapter** | **Assignment Due Dates** |
| **Week1** | | | |
| 1. Aug. 27 | Investments: Background and Issues  ***Stock Trak:*** *Practice* | 1 |  |
| 1. Aug. 28 | Asset Classes and Financial Instruments  ***Stock Trak:*** *Trading Opens, Q&A* | 2 |  |
| 1. Aug. 29 | Securities Markets | 3 | HW1 |
| 1. Aug. 30 | Mutual Funds and Other Investment Companies | 4 |  |
| 1. Aug. 31 | Risk and Return | 5 | HW2 |
| **Week 2** | | | |
| 1. Sep. 3 | State of South Carolina (Case Study)  ***Quiz1*** *on chap. 1,2,3,4,5* |  | * Reading assignment 1 |
| 1. Sep. 4 | Efficient Diversification | 6.1-6.4 | HW3 |
| 1. Sep. 5 | **Mid-term Exam 1 on Chapter 1,2,3,4,5** | |  |
| 1. Sep. 6 | Capital Asset Pricing and APT | 7 |  |
| 1. Sep. 7 | The Efficient Market Hypothesis | 8 | HW4 |
| **Week 3** | | | |
| 1. Sep. 10 | Beta Management Co. (Case Study)  ***Quiz2*** *on chap. 6.1-6.4,7,8* |  | * 1st Draft of the Report * Reading assignment 2 |
| 1. Sep. 11 | Bond Prices and Yields | 10 | HW5 |
| 1. Sep. 12 | **Mid-term Exam 2 on Chapter 6.1-6.4,7,8** | | |
| 1. Sep. 13 | Equity Valuation  ***Stock Trak:*** *Simulation Ends* | 13.1-13.4 |  |
| 1. Sep. 14 | Futures Markets | 17.1-17.5 | HW6 |
| **Week 4** | | | |
| 1. Sep. 17 | Options Markets  ***Quiz3*** *on chap 10,13.1-13.4,17.1-17.5,15.1-15.2* | 15.1-15.2 |  |
| 1. Sep. 18 | Final Review |  | HW7 |
| 1. Sep. 19 | **Final Exam (Cumulative)**  ***Stock Trak:*** *Final Report Due* | | |