

BUSI 580

INVESTMENTS

ADMINISTRATIVE INFORMATION

Instructor: Ric Colacito.

Email: ric@unc.edu

Office: <https://go.unc.edu/investments-office-hours>.

Phone: (919) 962-2767

Office hours: Friday morning by appointment.

Exam: according to University schedule.

Teaching Assistant: Dennis Gavrilov (Dennis_Gavrilov@kenan-flagler.unc.edu).

COURSE WEBPAGE

The material will be posted on Canvas.

MEETING TIMES AND VENUE

Class meets twice per week on Mondays and Wednesdays for 75 minutes in Zoom:

- Section 1 meets at 9.30am at <https://go.unc.edu/busi580-0930>
- Section 2 meets at 11am at <https://go.unc.edu/busi580-1100>

The passcode is: Ric2021.

OVERVIEW

The course is a rigorous, quantitative introduction to financial asset valuation and portfolio strategies. The main topics of the course are fixed income securities, options, and futures. Students are expected to understand valuation formulas and be able to apply them to new problems. Every effort will be made to relate the course material to current financial news. The appropriate statistical tools necessary for solving these problems will be developed at each stage and practiced in the homework assignments.

PREREQUISITES

Students must be comfortable with statistics, linear algebra, and calculus.

TEXTBOOK

The textbook for this class is “Investments” by Zvi Bodie, Alex Kane, Alan J. Marcus, 8th, 9th, 10th, ... 1000th edition (they are all pretty much the same...). We will abbreviate it as BKM

below. I will also post the slides used in class on the course's web-page. Occasionally, I will suggest extra readings, depending on the topics that we will cover and that the class will show particular interest in. They will also appear on the course web-page.

EXAM CONDUCT AND POLICIES

There will be one final exam. The exam is closed books, but you are allowed to bring one double-sided letter size page. Make-up quizzes will be given only for family or medical emergencies. In the interests of fairness, evidence is required. To prepare for the exam, you should review the key issues discussed in class, in the readings and in the handouts, review the problem sets you handed in, look at the suggested problem sets and suggested readings. Doing more exercises on your own is always a good idea.

PROBLEM SETS

There will be a problem set almost every week. Although you are encouraged to work on the problem sets in group, answers must be submitted on your own. At the discretion of the professor, late assignments will either not be accepted or will incur a grade penalty unless due to documented serious illness or family emergency. I will make exceptions for religious observance or civic obligation only when the assignment cannot reasonably be completed prior to the due date and the student makes arrangements for late submission with the professor in advance.

GRADING POLICY

This part of the course matters for a half of your final grade. Gill Segal will decide the remaining 50%. The final counts toward 45% of your final grade. Homeworks and classroom participation will be reflected in the remaining 5% of your grade.

CLASSROOM CIVILITY

Your behavior should respect your classmates' desire to learn. Each lecture begins exactly on time. If you have problems with being on time, please visit www.time.gov.

CLASS ATTENDANCE

Class attendance is mandatory and part of a student's grade. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, or civic obligation. If you will miss class for religious observance or civic obligation, you must inform your instructor no later than the first week of class.

COURSE OUTLINE

We will cover the chapters of BKM reported below in class. Although I encourage you to read also the remainder of the book, only the knowledge of these chapters is required to pass the exam. A class by class description of topics, BKM chapters, readings and problem sets can be

found on Canvas. Here is a sketch.

Class 1-4: Fixed Income

- BKM 14, 15, 16
- Bonds and yields
- The term structure of the interest rate
- Duration and Immunization

Class 5-8: Options markets, strategies, and valuation

- BKM 20-21
- Option markets
- Option strategies
- Speculation and leveraging using Call and Put Options
- The binomial option pricing model
- Implied Volatility
- The Black and Scholes valuation formula
- Valuation, hedging, and Risk Management of Options

Class 9-10: Futures

- BKM 22-23
- Trading mechanisms
- Trading strategies
- Pricing Futures Contracts

Class 11-12: Advanced topics

- BKM 17-18 and lecture notes
- Macroeconomics and Finance
- Equity valuation
- International Portfolio Choice
- Forecasting volatility

Class 13: Revision for the Final