Professor F. Demers
Office: B-854 Loeb
Phone: 613-520-2600 ext. 3775
E-mail: fanny.demers@carleton.ca
Office Hours: Monday 2:45pm-4:30 pm, Wednesday 5:35-6:15 pm, and by appointment
Lecture Time: Monday 11:35 a.m. – 2:25 p.m.
Place: CB 3400

Course Objectives:

1. To survey the literature on some of the most important issues in the portfolio choice theory, and in the pricing of financial assets.

2. To initiate students to working with models in financial economics.

Reference Texts:


Recommended Texts:


*Additional readings may be given in class.*
READING LIST

Required readings are indicated with a star (*). The coverage of some topics will depend on time availability.

1. Introduction to Asset Pricing: time, risk, financial systems, efficient markets and valuation of cash flows
   * Handout
   * DD (3rd ed.), Chapters 1 and 2, (2nd ed.) Chapters 1 and 2
   * Copeland et al. Chapters 1 and 2
   * Allen and Gale Chapters 1 and 2
   * Beninga, Chapter 1

2. Expected utility theory, measuring risk and risk aversion, investment decisions
   * Handout
   * Luce and Raiffà, Games and Decisions, ch 2.
   * DD (3rd ed.) Chapters 3 and 4, (2nd ed.) Chapters 3 and 4.
   * Copeland et al. ch 3.

3. Optimal portfolio choice in the expected utility model
   * Handout
   * DD (3rd ed.) Chapter 5, (2nd ed.) Chapter 5

4. Mean-variance portfolio choice
   * Handout
   * DD (3rd ed.) Chapters 6 and 7, (2nd ed.) Chapter 6
   * Copeland et al., Chapter 5
   * Huang and Litzenberger, Chapter 3

5. The efficient portfolio frontier, the zero-covariance portfolio and other properties of optimal portfolios
   * Handout
   * DD (3rd ed.) Chapters 6, 7 and 8, (2nd ed.) Chapters 6 and 7.
   * Huang and Litzenberger, Chapter 3

6. The capital asset-pricing model (CAPM)
   * Handout
   * DD (3rd ed.) Chapter 8, (2nd ed) Chapter 7
   * Copeland et al., Chapter 6

7. The arbitrage pricing theory (APT)
   * Handout
   * DD (3rd ed.) Chapter 14, DD (2nd ed.) Chapter 13
   * Copeland, Weston and Shastri, ch 6

8. Arrow-Debreu pricing, market completeness and complex securities
   * Handout
   * DD, (3rd ed.) Chapters 9 and 11, (2nd ed.) Chapters 8 and 10

9. Consumption CAPM (CCAPM)

* Handout
* DD (3rd ed.) Chapter 10, (2nd ed.) Chapter 9

10. Options and risk-neutral valuation

* Handout
* DD, (3rd ed.) Chapters 11, 12 and 13, (2nd ed.) Chapters 10, 11, and 12

11. The theory of efficient markets

* Handout
* Copeland et al. ch 10 and 11


A. Damodaran, “Market Efficiency: Definition and Tests,”
http://people.stern.nyu.edu/adamodar/pdfiles/invphiloh/mktefficiency.pdf


Evaluation:

The basis for determining your final grade in this course is as follows:

Midterm examination 40% Date: November 5
Final examination 60% Date: During the examination period

Students who miss the midterm exam for a valid reason (documented appropriately) will have the associated weight added to that of the final exam. Should the final exam be missed for any reason, a grade of F will be assigned, and the student must arrange for the possibility of a deferred examination through the Registrar’s Office within 3 working days of the exam. If granted by the Registrar’s Office, this exam will take place during the time designated in the Calendar. Special final exams (or mid-terms) will not be given. See Academic Regulation 2.3 for the official meanings of the grades and note that it stipulates that no course grades are final until approved by the Faculty Dean.

CuLearn and e-mail:

This course will make use of CuLearn.

I will post handouts, review questions and problems, as well as additional readings etc. on CuLearn. I will also send class announcements by e-mail using CuLearn.

It is each student’s responsibility to check this website for posted material and to verify their e-mail messages frequently for class announcements.

Please also note:“Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).”
Re-marking:
Any request for the remarking of exams or assignments must be submitted in writing within two weeks of that assignment or exam first being returned to the class. The request should contain a detailed explanation of why you feel you should receive a higher mark. Please note that remarking will apply to the entire assignment or exam, and not just to the contentious question. As a result, the revised mark may be higher than, lower than or the same as the original mark.

Plagiarism:
Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at www.carleton.ca/economics/courses/writing-preliminaries.

Requests for Academic Accommodation:
You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

Pregnancy obligation:
Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Academic Accommodations for Students with Disabilities:
If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. carleton.ca/pmc

Religious obligation:
Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Survivors of Sexual Violence:
As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and is survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for Student Activities:
Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf
For more information on academic accommodation, please contact the departmental administrator or visit: students.carleton.ca/course-outline.