

Faculty of Liberal Arts & Professional Studies

Department of Economics

Course: GS/ECON 5520 3.0 Economics of Financial Markets

Term: Winter 2024

Course Description: The objective of the course is to undertake a rigorous study of the theoretical foundations of modern financial economics. The course covers the central themes of modern finance including market efficiency, individual investment decisions under uncertainty, mean-variance theory, capital market equilibrium and asset valuation, and arbitrage pricing theory. Theoretical analysis of the problems is combined with empirical exercises based on the use of real financial data.

Course Instructor:

Andrei Semenov, VH 1028
416-736-2100 Ext. 77025, asemenov@yorku.ca
Office hours - after class and by appointment

Time and Location: W 11:30 - 14:30, MC 214

Course Webpage: eClass

Course Readings:

[DD] Danthine, J.-P., and J.B. Donaldson, 2005, Intermediate Financial Theory, 2nd ed., Amsterdam; Boston, Mass.: Elsevier.

[CLM] Campbell, J.Y., A.W. Lo, and A.C. MacKinlay, 1997, The Econometrics of Financial Markets, Princeton, NJ: Princeton University Press.

Topics Covered:

Stochastic dominance (DD, Chapter 4)
Portfolio selection (DD, Chapters 5, 6)
Market efficiency (CLM, Chapters 1, 2)
The Capital Asset Pricing Model (CAPM) (DD, Chapter 7; CLM, Chapter 5)
Multifactor asset pricing models (CLM, Chapter 6)
The Arbitrage Pricing Theory (APT) (DD, Chapter 13)
The Consumption Capital Asset Pricing Model (CCAPM) (DD, Chapter 9; CLM, Chapter 8)

Evaluation:

Mid-term exam	- 20% (date TBA, in class)
Final exam	- 35% (date and location TBA)
Course project	- 45% (date TBA)

Course Project: The project consists of doing a set of empirical exercises using real financial data. The project is due in class on the day noted. Late projects will not be accepted.

Missed Exams: There is no make-up mid-term exam. Students that missed the mid-term exam and provided the instructor with appropriate documentation verifying the circumstances for the missed exam

within 14 calendar days from the examination date will have the weight of the mid-term exam transferred to the final exam. The guidelines for deferred standing are available at http://econ.laps.yorku.ca/files/2015/10/Deferred_Standing1.pdf

Appropriate Documentation: Exams missed due to medical circumstances must be supported by a physician's statement or a statement by a psychologist or a counsellor. The physician's statement must include the following: (1) full name, mailing address, telephone number of the physician, (2) state the nature of the illness and its duration (i.e., specific dates covered), and (3) an indication of whether the illness and/or medication prescribed would have SERIOUSLY affected the student's ability to study and perform over the period in question. The physician's office may be contacted to verify that the statement was actually completed by the physician. Exams missed due to non-medical circumstances must be supported by appropriate documentation, i.e., death certificates, obituary notices, automobile accident reports, airline/train/bus tickets/receipts for emergency travels (with the date of booking on the ticket), etc. Airline/train/bus tickets/receipts must indicate destination, departure, and return dates. Having to work at the time of an exam or non-emergency travels are not considered valid excuses for missing the exam.

E-mail Policy: When sending an e-mail, indicate the course number on the subject line. E-mail should not be used to receive private tutorials or extended answers to the questions on the course material.

Important Course Information for Students: All students are expected to familiarize themselves with the Policies, Procedures, and Regulations at <http://secretariat-policies.info.yorku.ca/>