

Master of Science in Applied Economics  
University of Maryland, College Park

**ECON 670: Financial Economics (Spring 2022)**

Instructor Name Joonkyu Choi  
Instructor Email [choijk85@umd.edu](mailto:choijk85@umd.edu)  
Class Meetings TYD 2102, Tuesdays 6:30-9:15pm  
Office Hours Zoom (<https://umd.zoom.us/j/5724586598>), Mondays 5:15-6:15pm

Midterm 3/15  
Final 5/10

TA Name Zu Yao Hong  
TA Email [zhong1@umd.edu](mailto:zhong1@umd.edu)  
TA Office Hours Location TBD, Fridays, 5:15-6:15pm

**Overview**

This course applies microeconomic and macroeconomic theories and applied econometric techniques to the study of financial markets and investment. The course will cover the interaction between the macroeconomy, financial markets, and monetary and fiscal policy. Students will also learn how economists model and estimate the value of financial assets. Specific topics include bonds, behavior of interest rates, portfolio theory, capital asset pricing model, efficient market hypothesis, and equity valuation.

**Covid-19 Information:** <https://umd.edu/4Maryland>

Up-to date information about UMD Covid-19 policies and guidance are posted at <https://umd.edu/4Maryland>. Given the evolving nature of the pandemic, the guidance and polices are subject to change. The plans area always coordinated with state and county health officials, with additional guidance provided by the University System of Maryland. The focus will always be on the health and wellbeing of our entire campus community. We strongly urge all students, staff and faculty to read announcements they receive about Covid-related guidance and policy, and to stay familiar with the information posted at <https://umd.edu/4Maryland>. We thank you all for your individual efforts to help protect the collective health of our entire community.

**Course Objectives**

Our program has 7 general learning objectives:

- 1. Ability to understand, evaluate and analyze economic data**
- 2. Ability to understand and interpret statistical evidence from economic data**
- 3. Ability to apply empirical evidence to assessing economic arguments**
- 4. Ability to apply macroeconomic theories to policy discussions**
- 5. Ability to apply microeconomic theories to policy discussions**
- 6. Ability to communicate economic ideas to a broader audience**
7. Ability to evaluate the effectiveness of policy programs using sound economic techniques

The learning outcomes that pertain to this course are: 1, 2, 3, 4, 5 and 6

## Prerequisites

ECON 641 and ECON 643.

## Textbook

Zvi Bodie, Alex Kane and Alan J. Marcus, *Investments*, 12<sup>th</sup> Edition, McGraw Hill

## Tentative Course Outline

Week	Date	Topic	Textbook Chapters
1	1/25	Financial Assets and Time Value of Money	1, 2, Notes
2	2/1	Quiz / Bond Pricing	14, 16
3	2/8	Quiz / Equilibrium Interest Rates and Risk Structure	14, 16
4	2/15	Quiz / Term Structure of Interest Rates	15
5	2/22	Risk, Return and Capital Allocation to Risky Assets – 1	5, 6
6	3/1	Quiz/ Risk, Return and Capital Allocation to Risky Assets – 2	5, 6
7	3/8	Quiz / Efficient Diversification	7, 9
8	3/15	<b>Midterm</b>	
9	<b>3/22</b>	<b>Spring break week - no class</b>	
10	3/29	The Efficient Market Hypothesis	11
11	4/5	Quiz / Equity Valuation Models – 1	18
12	4/12	Equity Valuation Models – 2	18
13	4/19	Quiz / Financial Statement Analysis	19
14	4/26	Quiz / Options	20
15	5/3	Quiz / Futures	22
16	5/10	<b>Final Exam</b>	

## Grading Policy

Quiz	9%
Assignments	21%
Midterm	30%
Final	30%
Presentation	10%
Total	100%

## Quiz

There will be a quick five-minute quiz after each topic. The quizzes are designed to ensure that students are grasping the materials that were taught.

## Assignments

There will be three assignments which involve empirical analysis using financial and macroeconomic data and require the use of STATA. All assignments must be submitted through ELMS. Students are encouraged to meet with the TA to discuss any questions regarding assignments. All graded assignments

will be returned to students within 7 days after submitting the assignments. Here are the schedules for the assignments:

	<b>Release</b>	<b>Submission</b>
<b>Assignment 1</b>	2/8	2/22
<b>Assignment 2</b>	2/22	3/8
<b>Assignment 3</b>	4/12	4/26

### **Exam Policy**

There will be two exams: a mid-term and a final. Final exam is NOT cumulative. Calculators are needed and you may use Excel spreadsheets. The midterm and final must be taken on the scheduled dates. See “Excused Absences” under “Other Policies” for permissible exceptions.

### **Group Presentation**

Groups of 2-3 students will be required to present a recent paper in the macro or finance literature that is relevant for the course content. A list of appropriate papers will be provided in the first week of the course, but students are welcome to propose papers that are not on the provided list. In that case, students need to receive my approval to proceed. Presentations are expected to be critical reviews of the assigned paper; students are expected to (i) summarize the paper in a concise way, and (ii) criticize the analysis described in the paper or (iii) propose an alternative analysis to what the authors have done. Each presentation should take no longer than 20 minutes. Presentations will take place at the beginning of each class starting from February 15<sup>th</sup>, and draft presentation slides should be submitted for review no later than 11:59pm the Thursday before the final presentation is due.

### **Late Penalty**

All assignments are subject to late penalties. The penalties are as follows: 20% for late work submitted after the specified time on the due date, 50% for second day. Assignments are not accepted after the second day. Late penalties apply except when prior approval is obtained.

### **Final Course Grades**

Final letter grades are based on the weighted score. Numerical course grades will be translated into letter grades as follows:

[93, 100]	A+
[90, 93)	A
[80, 90)	A-
[70, 80)	B+
[60, 70)	B
[50, 60)	B-
[40, 50)	C+
[30, 40)	C
[20, 30)	C-

[10, 20)	D
[0, 10)	F

“[“ indicates “greater than or equal to,” and “)” indicates “less than.” A+ may be given for exceptional achievement to a student or two at the very top of the class’ grade distribution.

### **Standard Policies**

Policies related to all graduate courses at the University of Maryland are posted on this page of the Graduate School's website:

<https://gradschool.umd.edu/faculty-and-staff/course-related-policies>

Please familiarize yourself with these policies related academic integrity, non-discrimination policy, accessibility, absences and accommodations, grading, academic standing, grievance procedures, and other important policies.

Additional notes that should appear in all MS in Applied Economics program syllabi:

**Work Load:** Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time.

**Academic Progress:** The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program’s director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student’s GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree. Note: a grade of "B" corresponds to a GPA of 3.0. A grade of "B-" corresponds to a GPA of 2.7.

**Excused Absences:** If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility to work with the instructor to make sure you catch up on the missed material. Instructors routinely facilitate things by posting lecture notes, etc.

If you need to miss an exam or other graded course requirement because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you’re able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you’re incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an “Incomplete”. In such cases you must negotiate a plan with your instructor for completing the course requirements. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

**School Closings and Delays:** Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669) The program director will

also announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue. When classes need to be canceled during the semester, we make every effort to schedule makeup classes.

**UMD Counseling Center:** Sometimes students experience academic, personal and/or emotional distress. The UMD Counseling Center in Shoemaker Hall provides comprehensive and confidential support services that promote personal, social, and academic success. The cost of these services is covered by the fees you already paid when you registered for classes, and there is no additional charge if you use the services. Proactively explore the range of services available, including the Counseling Service, Accessibility and Disability Service, and the Testing Office, all described at <http://www.counseling.umd.edu/>

**Graduate Academic Counselor:** The UMD Graduate School also has an academic counselor available to support students who are having difficulty navigating mental health resources on campus, are considering a leave of absence and/or need assistance finding mental health care off campus. The Graduate Academic Counselor also facilitates bi-weekly Graduate Student Circle Sessions which provide an opportunity to learn about resources and connect with other graduate students. Students can learn more about the Graduate Academic Counselor by going to: <https://gradschool.umd.edu/gradcounselor>

**Course Evaluations:** Near the end of the term, you will receive an email inviting you to submit a voluntary and anonymous course evaluation. Your feedback on courses will be very helpful in improving the quality of instruction in our program.

**Access to Morrill Hall and Morrill 1102:** Morrill Hall is locked every day from 7:00 p.m. - 7:00 a.m. Your university ID gives you swipe access to the back door of the building. There is keypad access to the door of Morrill 1102. The code will be shared with students by the program coordinator.