

Master of Science in Applied Economics
University of Maryland, College Park
Washington, DC location: 1400 16th St, NW, suite 140

ECON 670: Financial Economics (Spring 2023)

Instructor Name Joonkyu Choi
Instructor Email choijk85@umd.edu
Class Meetings Tuesdays 6:45-9:30pm (with a 15-minute break around 8:00)
(Online) Office Hours Saturdays 11:00am-12:00pm, <https://umd.zoom.us/j/5724586598>

Midterm 4/11
Final 5/16

TA Name Chan Kim
TA Email chankim@umd.edu
TA Office Hours Mondays 5:00-6:00pm

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 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.

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*, 12th Edition, McGraw Hill

Course Outline

Week	Date	Topic	Textbook Chapters
1	2/28	Financial Assets and Time Value of Money	1, 2, Notes
2	3/7	Quiz / Bond Pricing	14, 16
3	3/14	Quiz / Equilibrium Interest Rates and Risk Structure	14, 16
	3/21	Spring break week – no class	
4	3/28	Quiz / Term Structure of Interest Rates	15
5	4/4	Quiz / Risk, Return and Capital Allocation to Risky Assets	5, 6
6	4/11	Midterm / Efficient Diversification	7
7	4/18	Efficient Diversification (cont'd) and the CAPM	7, 9
8	4/25	Quiz / The Efficient Market Hypothesis	11
9	5/2	Quiz / Equity Valuation Models	18
10	5/5 (Friday)	Financial Statement Analysis (Online Class; 6:45-7:30pm, 8:30pm-9:15pm) *This “extra” online class is designed to ensure that the course meets 12 times. The two 45-minute zoom meetings will be supplemented with additional mini lecture videos.	19
11	5/9	Quiz / Options and Futures	20, 22
12	5/16	Final Exam	

Grading Policy

Quiz	7%
Assignments	18%
Midterm	30%
Final	30%
Presentation	10%
Online discussion	5%
Total	100%

Quiz

There will be a quick five-minute quiz after each topic. The quizzes are designed to help students in understanding the course materials and preparing for the exams.

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. Here are the schedules for the assignments:

	Release	Submission Deadline
Assignment 1	3/14	3/28
Assignment 2	4/4	4/18
Assignment 3	4/25	5/9

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 students will be required to present a recent paper in the macroeconomics 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. 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 and discussions 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.

Other Standard Policies for the Program and the University of Maryland

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.

Email: The University has adopted email as the primary means of communication outside the classroom, and I will use it to inform you of important announcements. The University creates an "@umd.edu" email address for every graduate student. All official UMD communications will be sent to students at their "@umd.edu" email address. You are responsible for reading your @umd.edu email address, including ELMS/Canvas Announcements I send to the class. You should make sure ELMS/Canvas Announcements and messages are forwarded to an email address that you check regularly. Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines.

I will do my best to respond to email within 36 hours.

Course Website: Copies of the course syllabus, student's grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. Students can access the site via www.elms.umd.edu. They will need to use their University of Maryland "directory ID" and password.

Contact Hours: Three credit master's-level courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly meetings only satisfy 80% of the university's contact requirement. The other 20% is satisfied by weekly mandatory and graded online contact. In principle, the contact hours requirement could be satisfied by scheduling 3 additional 150-minute meetings per term, or 6 additional 75-minute meetings, or 10 additional 45-minute meetings. But in practice the contact hours requirement is satisfied by the weekly online discussions. The weekly online discussions are a more flexible way to ensure that our program's courses in DC provide the same level of student-instructor contact as the traditional 15-week face-to-face version of the same course when it is taught on campus in College Park.

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. The courses in our DC program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course (15 weeks). The compressed schedule makes it possible to complete our degree in just 15 months if you take 2 courses each term. But the compressed schedule also implies an accelerated pace with an average of 25% more work per week in a given course ($15/12 = 1.25$). The normal full-time load in a master's program is 3 courses per semester, or 6 courses per year. The weekly workload when taking 2 of our DC courses per term is equivalent to the load from 2.5 "normal" 15-week courses - so $2.5/3.0=83\%$ of a full-time load. However, the DC program takes just 1 week off between terms. Students who take 2 courses per quarter in our program complete 8 courses per year. So over the course of a year, taking 2 courses per quarter in our DC program is equivalent to 133% of a "normal" full-time load in the traditional semester-based program ($8/6 = 1.33$).

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, 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 free, comprehensive, and confidential counseling / mental health services that promote personal, social, and academic success. All Counseling Center services are completely free for enrolled students. Proactively explore the range of services available at the Counseling Center, including the Counseling Service and Accessibility and Disability Service 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.

Building Access: There is a smartphone app that can be used to enter our building after normal business hours. The program coordinator will provide information about this. We will also provide information about the code for entering the front door of our suite. Please make sure you are receiving the ELMS-Announcements that we send out to the program about these and other important matters.

COVID Policies: 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 policies are subject to change. The plans are 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 well-being 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. We thank you all for your individual efforts to help protect the collective health of our entire community.