

Syllabus: Foundations of Financial Markets

Course Number C15.0002

New York University, Stern School of Business

Professor

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Course Web page

The web page can be found by starting at my homepage, or directly at:
<http://www.stern.nyu.edu/~lpederse/courses/c150002/c150002.html>

Office hours, readings, problem sets, solutions, and announcements will be posted on the web page throughout the semester so please check it regularly.

Teaching Assistants

The class has several teaching assistants that hold office hours in the TA center. Please see the course web page for the times.

Textbooks

1. Bodie, Kane, and Marcus, "Essentials of Investments."
2. "Solutions Manual for use with Essentials of Investments."
3. Ross, Westerfield, and Jordan, "Essentials of Corporate Finance," Custom Edition.

Problem Sets

There will be 10 problem sets, starting with the second week of class. You will be rewarded full credit on a problem set if you have made a good-faith effort to answer all of the questions, and if you hand in your answers on

time. Late problem sets will not be accepted. Answers to the problem sets must be your own, and must be handwritten. You will get the highest score for problem sets if you get credit on 9 problem sets out of 10 (i.e. you are allowed to miss 1). Also, the course website contains suggested additional problems.

Study Groups

You are encouraged to work in groups on the problem sets, but you must hand in your own handwritten answers. It is also highly recommended that you regularly discuss the readings in a study group.

Calculators

You need a calculator for this class. It is an advantage to have a financial calculator, but not a requirement. Standard financial calculators include, for instance, Hewlett Packard 12C and 10B.

Exams

The course has a midterm and a final exam. The final exam is cumulative. You will be allowed one double-sided page of notes at the midterm and two double-sided pages of notes for the final exam. To prepare for these exams you should *(i)* review the key issues discussed in the class and in the readings, *(ii)* review the problem sets that you handed in, *(iii)* look at the suggested problems and the concept checks in the book, and *(iv)* do the sample exams.

Classroom Behavior

The class is interactive and all questions are strongly encouraged. Your behavior should, however, respect your classmates desire to learn. Each lecture begins exactly on time. Do not come late. Being late is disruptive no matter how quiet you are. If you have a cell phone or any other electronic device, turn off the sound before entering class. Do not engage in side conversations during the lecture, even in a whisper. Repeated occurrence of such disruptions will be reflected in the final grade.

Grading

Grades will be based on the final exam (45%), the midterm exam (30%), problem sets (15%), the core enhancement (10%), and classroom behavior (such as coming late repeatedly, disrupting the class, etc.).

Course Content

The course gives an introduction to financial markets. The main topics of the course are portfolio selection, equilibrium asset pricing, arbitrage, fixed income securities, and derivatives. The course is rigorous, and students are expected to be able to understand and apply quantitative methods. Examples illustrate important real-world applications of the theory.

Course Outline

- Financial Instruments and Markets
- Time Value of Money
- Portfolio Selection
- Equilibrium Asset Pricing: The Capital Asset Pricing Model
- Equity Valuation
- Arbitrage
- Fixed Income Securities
- Derivative Securities
- Market Efficiency, Frictions, and Anomalies