

ECON 422: INVESTMENT, CAPITAL, AND FINANCE

Winter 2021

Instructor: Joshua Jacobs	Time: TR 8:30 – 10:20
Email: jjacobs7@uw.edu	Place: N/A

Course Pages:

- <https://canvas.uw.edu/courses/1434114>

Office Hours: Wednesdays, 10:00-11:00; I am always available by email.

Main References: This will be our main text for the course; we will skip around quite a bit, but this will be a useful reference for you.

- Zvi Bodie, Alex Kane, and Alan Marcus, *Investments*, McGraw-Hill, 11th ed., 2017.

Secondary References: I strongly encourage students to read finance-related news throughout the term. If students so desire, they may, but are by no means required to, subscribe to one of the following newspapers, all of which are known for excellent business and financial news.

- The Financial Times
- The Economist
- The Wall Street Journal
- The New York Times

Objectives: This course is primarily designed for students who are interested in how businesses and investors make decisions about what projects to invest in, how to finance said projects, and how financial instruments are priced.

Prerequisites: Econ 300 and one of Stat 311, Math 390, Stat 390, or Q Sci 381 are required to take this course.

Grading Policy: Problem Sets (25%), Midterm 1 (25%), Midterm 2 (25%), Final (25%).

Problem Sets: Short problem sets will be assigned most weeks, and are due at 11:59 PM Pacific Time on the following Monday. A random subset of questions from each assignment will be graded for correctness, and the rest of the questions will be graded for completeness. Solutions will be posted after the assignments are due for help studying. Submissions will only be accepted in PDF format or as **legible** scans of handwritten work. The two lowest homework scores will be dropped from your grade.

Attendance Policy: Attendance in the Zoom lectures are highly encouraged. I understand, however, that it may not be possible for all students to attend all sessions given the realities of Covid-19, and all sessions will be recorded and posted on Canvas. If you are unable to attend, it is your responsibility to ensure that you are up-to-date on all course material. **Attendance for exams is mandatory.** If you are unable to attend an exam due to circumstances beyond your control, please contact me as soon as this issue arises.

Exceptions will be made for health, religious, and academic reasons, and accommodations may be possible for those with other challenges.

No late assignments will be accepted.

Accommodations: Should you require disability accommodations, please contact Disability Resources for Students at <http://depts.washington.edu/uwdrs/> or 206-543-8924.

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy](#). Accommodations must be requested within the first two weeks of this course using the [Religious Accommodations Request form](#).

Academic Misconduct: All students are expected to know and to abide by the University's Academic Misconduct policies as defined at <http://www.washington.edu/admin/rules/policies/SGP/SPCH209.html#7> summarized at <https://depts.washington.edu/grading/pdf/AcademicResponsibility.pdf>. In particular, while you are encouraged to study with each other, all assignments for this course must be completed on one's own. Exams are closed-book must be completed without accessing outside information, whether from "cheatsheets," cellphones, your computer, or other sources. Failure to abide by these policies is likely to result in failing this course, and may result in further sanctions as described by the policy. If I believe you have cheated on an assignment, you will receive a "zero" grade for that assignment.

Table 1: Tentative Outline

Date	Topic	Reading
1/5	Introduction to Econ 422	Syllabus and Chapter 1
1/7	Present Value	
1/12	Investment Decisions	
1/14	Bond Pricing	Chapters 2.1-2.2, 14
1/19	Term Structure	Chapter 15
1/21	Stock Pricing	Chapters 2.3-2.4, 18
1/26	Risk and Return	Chapter 5
1/28	Exam 1	
2/2	Simple Portfolios	Chapter 6
2/4	Risky Portfolios	Chapter 7
2/9	Index Models	Chapter 8
2/11	CAPM	Chapter 9
2/16	Efficient Market Hypothesis	Chapter 11
2/18	Behavioral Finance	Chapter 12
2/23	Exam 2	
2/25	Derivatives	Chapter 20
3/2	Options Valuation	Chapter 21
3/4	Futures and Forwards	Chapter 22
3/9	Futures, Swaps, and Risk Management	Chapter 23
3/11	The Great Recession	
3/16	Final Exam	