

**Financial Economics  
ECONOMICS EC3332A-001  
Department of Economics  
Western University**

**Fall 2024**

**Instructor:** Matthew Carew  
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**Office hours:** *Tuesday 9-11am*  
**Delivery mode:** *In-person*  
**Meeting time(s):** *Tuesday 12:30-3:30pm*  
**Classroom:** *TC-203*  
**Course website:** <https://westernu.brightspace.com/>  
**Undergraduate inquiries:** 519-661-3507 or SSC Room 4078 or [econugrd@uwo.ca](mailto:econugrd@uwo.ca)

**Registration:**

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

**Prerequisite/Antirequisite Note:**

The prerequisite(s) for this course are: **Economics 2220A/B, Economics 2223A/B** and **Economics 2260A/B**. Pre-or Corequisite(s): **Economics 2261A/B**.

The antirequisite(s) for this course are: **Economics 2121A/B, Economics 2181A/B, Economics 2186A/B** (if taken 2013-2014, 2014-2015), **Economics 2300A/B, Economics 3346A/B**, and **MOS 3316A/B**.

**Please note that ECON 2181A/B antirequisite can be waived with special permission from the department.**

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

## **Course Description:**

This course will be concerned with the determination of asset prices. Topics include market efficiency, portfolio choice, derivative securities, and the term structure of interest rates.

## **Course Objectives:**

This course offers an introduction to financial economics. Its objective is to introduce students to the principles of financial asset pricing and investment decisions under uncertainty. Topics include financial institutions, time value of money, risk-return trade-offs, market efficiency, portfolio choice, the Capital Asset Pricing Model (CAPM), Arbitrage Pricing Theory (APT), fixed income securities and, if time permits, selected topics on derivative securities.

## **Course Learning Outcomes:**

After successful completion of this course, students should be able to:

1. Evaluate risk-return trade-offs in financial markets
2. Understand optimal portfolio allocation strategies
3. Understand the valuation of equity and fixed-income securities
4. Understand equilibrium and arbitrage pricing models
5. Develop simple investment and trading strategies
6. Understand the institutional environment governing financial markets in Canada

## **Textbook(s) and Course Materials:**

### **Required Textbook**

Bodie, Z., Kane, A., Marcus, A.J., Switzer, L, Stapleton, M., Boyko, D., and Panasian, C. (2022), Investments, 10<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson. ISBN-10: 1260881253.

### **Suggested Textbooks**

Students should consider reading the following books to support their learning and for future reference:

Berk, J., DeMarzo, P., and Stangeland, D. (2018), Corporate Finance, 4<sup>th</sup> Canadian Edition, Pearson Canada. ISBN-10: 0134632281

Campbell, J. (2017), Financial Decisions and Markets: A Course in Asset Pricing, 1<sup>st</sup> Edition, Princeton University Press. ISBN-10: 0691160805.

Cochrane, J. (2005), Asset Pricing, Revised Edition, Princeton University Press. ISBN-10: 0691121370.

Hull, J., (2022), Options, Futures, and Other Derivatives, 11<sup>th</sup> Edition, Pearson. ISBN-13: 9780136939917.

Poitras, G. (2004), Security Analysis and Investment Strategy, 1<sup>st</sup> Edition, Wiley-Blackwell. ISBN-10: 9781405112482

### **Assessments and Grading:**

The final course mark will be calculated based on the following:

Assignments: 40%

Midterm: 25%

Final Exam: 35%

There will be 5 assignments. The top 4 out of 5 assignments will be used in the calculation of the final grade. Due to the flexibility in this assessment, academic consideration through self-attestation will be denied. Assignments are due at the beginning of the lecture on the due date. Late assignments will receive a 10% penalty per day and will not be accepted more than one week late.

The two examinations (Midterm and Final Exam) will be closed book with the exception of students being permitted to bring a hand-written formula sheet. This is a double sided page, a page refers to a letter size page (215.9 × 279.4 millimeters or 8.50 × 11.00 inches, which may only contain formulas. Students are also permitted to use a non-programmable calculator. Students may not use any other resources or outside assistance during exams.

The midterm is tentatively scheduled for October 29 during the scheduled lecture time (subject to approval by Exam Central). The final exam will be scheduled by the Registrar's Office during the exam period (Dec 9-22).

The midterm is designated as not permitting the use of self-attestations by students.

### **Tentative Course Schedule**

Week	Lecture	Topics	Textbook Coverage	Notes
1	Sept 10	Introduction: The Investment Environment and Securities Markets	Ch. 1,2,3 and 4	
2	Sept 17	Risk, Return and the Historical Record	Ch. 5	
3	Sept 24	Capital Allocation to Risky Assets	Ch. 6	Assignment 1 due
4	Oct 1	Efficient Diversification (Optimal Risky Portfolios)	Ch 7,9	

5	Oct 8	The CAPM and Index Models	Ch 9,8	Assignment 2 due
6	Reading Week			
7	Oct 22	The CAPM and Index Models Multifactor Models and the ATP	Ch. 10	
8	Oct 29	Midterm		Tentative schedule
9	Nov 5	The EMH, Behavioural Finance, and Empirical Evidence on Security Returns	Ch 11, 12 and 13	Assignment 3 due
10	Nov 12	Bond Prices and Yields	Ch. 14	
11	Nov 19	The Term Structure of Interest Rates	Ch. 15	Assignment 4 due
12	Nov 26	Managing Bond Portfolios	Ch. 16	
13	Dec 3	Managing Bond Portfolios Overview of Derivative Securities	Ch 16	Assignment 5 due

\*All dates and course coverage are tentative

### Professionalism, Privacy, and Copyright:

- Students are expected to follow the [Student Code of Conduct](#).
- All lectures and course materials, including slides, presentations, outlines, and similar materials, are protected by **copyright**. Students may take notes and make copies of course materials for their own educational purposes only.
- Students may not record lectures, reproduce (or allow others to reproduce), post or distribute lecture notes, assessments, or any other course materials publicly and/or for commercial purposes without written consent of the instructor.
- Recordings (audio or video) are not permitted without explicit, written permission of the instructor. Permitted recordings may not be distributed or shared.

**PLEASE NOTE**  
**DEPARTMENT & UNIVERSITY POLICIES FOR FALL 2024**

The University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. **Guidelines, policies, and your academic rights and responsibilities** are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated policies and procedures.
2. A [\*new academic consideration and flexibility in assessment\*](#) policy is in effect starting September 2024. Students can miss one assessment per course per term without medical documentation. Faculty can designate one assessment per course for which students **cannot** self-attest.
3. Students must familiarize themselves with the “**Rules of Conduct for Examinations**” [http://www.uwo.ca/univsec/pdf/academic\\_policies/exam/administration.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf).
4. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat.” The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as suspension or expulsion.
5. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_20](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20)).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 4.

6. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments to the instructor.
7. **Appeals:** University policies and procedures for appealing a mark can be found in the Student Academic Appeals section in the current Western Academic Calendar at: [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_14](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14). **Please note the relevant deadlines.**

Department of Economics procedures for appealing a mark can be found here: [https://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](https://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals). The Department will not consider an appeal unless an attempt has been made to settle

the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed to submit an appeal to [econugrd@uwo.ca](mailto:econugrd@uwo.ca). Please follow the instructions and use the appeal form shown in the above link.

8. **Systematic adjustments of a class grade distribution** (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
9. **ADD AND DROP DEADLINES:**

- Deadline to **ADD** first term full or half course: **Fri, Sept 13, 2024**
- Deadline to **DROP/WITHDRAW** first term full or half course: **Mon, Dec 2, 2024**

### **Policy Regarding Makeup Tests and Final Examinations**

Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

### **Policies Regarding Academic Accommodation**

- Academic accommodation will not be granted automatically on request. Students must demonstrate by documentation that there are compelling medical or compassionate grounds before academic accommodation will be considered. The Faculty of Social Science's policies on academic accommodation are found at [https://counselling.ssc.uwo.ca/procedures/academic\\_consideration.html](https://counselling.ssc.uwo.ca/procedures/academic_consideration.html)
- **Accommodation for Students with Disabilities:** Students with disabilities or accessibility challenges should work with Accessible Education (formerly SSD, see [http://academicsupport.uwo.ca/accessible\\_education/index.html](http://academicsupport.uwo.ca/accessible_education/index.html)), which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The accommodation policy can be found here: [Academic Accommodation for Students with Disabilities](#).
- **Rewriting Exams and Retroactive Reweighting are NOT Permitted:** Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.
- Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **48 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message to the instructor, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca). **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

- For medical illnesses, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit/assessment. Student Medical Certificate (SMC) is available here:  
[https://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf)
- **Documentation for Accommodation:** Individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds or for other reasons.
- **Western University policy on Consideration for Student Absence** is available here:  
[https://counselling.ssc.uwo.ca/procedures/probation\\_rtw/appeals.html](https://counselling.ssc.uwo.ca/procedures/probation_rtw/appeals.html)
- **Religious Accommodation:** Students should consult the University's list of recognized religious holidays and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the [Western Multicultural Calendar](#).

**Policy Regarding Class Attendance and Engagement:** If the instructor deems a student's attendance or engagement in the class to be unsatisfactory, that student may be prohibited from writing the final examination. Examples of unsatisfactory class engagement include frequent absences from an in-person or synchronous online class, lack of assignment submissions, and inadequate use of online course materials. Instructors who intend to make use of this policy will notify the student in advance.

**Statement on Mental Health and Support Services:** Students under emotional/mental distress should visit [http://uwo.ca/health/mental\\_wellbeing/](http://uwo.ca/health/mental_wellbeing/) for more information and a complete list of resources on how to obtain help.

**Statement on Remote Proctoring:** While Western intends to hold most classes, mid-terms and finals in-person, the London-Middlesex Health unit may require western to teach in a remote format. If this occurs, all assessments will be done remotely and may involve the use of remote proctoring software (i.e., Proctorio, ProctorTrack). Instructors will provide information on the details should the need arise.