Syllabus

for course at first level

Financial Economics
Finansiell ekonomi

**7.5 Higher Education
Credits
7.5 ECTS credits**

Course code:	EC2206
Valid from:	Autumn 2016
Date of approval:	2014-10-03
Changed:	2015-12-17
Department	Department of Economics
Main field:	Economics
Specialisation:	G1F - First cycle, has less than 60 credits in first-cycle course/s as entry requirements

Decision

This syllabus was adopted by the Board of the Department of Economics on 17 December 2015.

Prerequisites and special admittance requirements

Economics I, 30 credits, Intermediate Micro, 7.5 credits, Intermediate Macro, 7.5 credits, and Empirical Methods in Economics I, 7.5 credits, or equivalent.

Course structure

Examination code	Name	Higher Education Credits
220A	Financial Economics	7.5

Course content

Financial economics with a focus on asset pricing and investment management. Especially theoretical models for:

* arbitrage and efficient markets;
* asset pricing for stocks;
* asset pricing for bonds;
* optimal portfolio choice;
* macro-financial linkages between financial institutions and the real economy.

In addition:
* econometric analysis of security returns and risks;
* econometric analysis of mutual funds over- and under-performance.

Learning outcomes

Upon completion of the course, students are expected to:

Knowledge and understanding:
* know and understand basic theoretical models for optimal portfolio choice;
* know and understand basic theoretical models for pricing of financial assets, in particular stocks and bonds;
* understand basic linkages between the financial and real economy, as well as how policy interventions in

the financial sector can affect the real economy;
* understand how the linear regression model can be seen as a tool to identify parameter values in portfolio choice and asset pricing models;
* understand the relationship between abnormal security returns and hypothesis testing in regression models;

Skills and abilities:
* be able to derive and to explain the models of analysis mentioned above;
* be able to apply the basic models of analysis on stocks, bonds, and mutual funds;
* be able to empirically estimate the parameter values of certain models, as well as understand the relationship to optimal portfolio management;
* be able to express an opinion as to whether equity mutual funds perform better or worse than a certain benchmark model, based on econometric analysis;

Judgement and approach:
* be able to analyse the plausibility of the assumptions behind various models, as well as understand the limitations of these models;
* be able to critically analyse financial data and regression results.

Education
Instruction is given in the form of lectures. The language of instruction is English.

Forms of examination
The course is examined on the basis of a written examination. Through voluntary partial examination on the empirical parts of the course, students may gain "credits" on the examination that will be valid up until the next time the course is given.

Grades will be set according to a seven-point scale related to the learning objectives of the course. Passing grades are A, B, C, D, and E, where A is the highest grade and E the lowest. Failing grades are F and FX, where F is lower than FX.

Assessment criteria:

* F (Totally Inadequate): No requirements.

* FX (Inadequate): The student is familiar with the conclusions of the models that have been discussed throughout the course.

* E (Adequate): In addition to the requirements for F, the student is able to explain the intuition behind the models.

* D (Satisfactory): In addition to the requirements for E, the student is able to apply the models to problems similar to those discussed during the course.

* C (Good): In addition to the requirements for D, the student is able to independently apply the models to problems other than those discussed during the course.

* B (Very Good): In addition to the requirements for C, the student is able to perform mathematical derivations of the models.

* A (Excellent): In addition to the requirements for B, the student is able to address larger issues within financial economics using different types of model reasoning, and is able to assess the value of different analytical approaches.

If a student receives the grade FX or F on an examination, there are no restrictions on how many times they are allowed to retake the examination in order to obtain a grade of E or higher.

Interim
If the course is discontinued, students have the right to be examined on the course once per semester for three further semesters.

Misc
In addition to the entry requirements, we strongly advise students to also take the course Empirical Methods in Economics 2 (7.5 credits), or equivalent.

Required reading
See the course website at www.ne.su.se.