



蘇州大學  
Soochow University

## **ECO 260 Financial Economics**

**Summer 2023**

**Course Credits:** 4

**Contact Hours:** 55 hours

**Instructor:** TBA

**Email:**TBA

### **COURSE OBJECTIVES**

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Financial Economics cares about the selection of individuals and firms. This course is designed to be an introduction to financial economic analysis covering markets, structures, and instruments, introducing students to theories and practices in financial economics, portfolio theory and pricing models. The topics include equilibrium and arbitrage, valuation, portfolio restrictions, risk, optimal portfolios, equilibrium prices and allocations, mean-variance analysis, CAPM, debt, equity, options, security and more.

Upon Completion of this Course, students will be able to:

1. Comprehend the theories and concepts of financial economics, modern portfolio theory, and financial markets;
2. Apply the principles of financial economics to solve the economic questions;
3. Make investment decisions when confronting specific trends and patterns in financial markets;
4. Explain how firms and individuals make financial decisions.

### **PREREQUISITES**

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N/A

### **GRADING**

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Grades will be determined by accumulating points, with 100 points being the maximum, as follows:



ITEM	POINTS
Assignments	40 Points
Midterm	25 Points
Final Exam	35 Points
Total	100 Points

Late submissions will be graded at the end of the course. Grades will be assigned according to the following rule:

$$A \geq 90 > B \geq 80 > C \geq 70 > D \geq 60 > F.$$

We reserve the right to make adjustments to the overall grading policy.

## COURSE MATERIALS

### **Required Texts:**

*Principles of Financial Economics* by Stephen F. LeRoy and Jan Werner, 2nd Edition, Cambridge University Press, 2014.

### **Recommended (Optional) Texts or Other Materials:**

None

## COURSE TOPICS

MODULE	TASKS
Module 1	<b>Topics:</b> Topic 1: Equilibrium in Security Markets Topic 2: Linear Pricing Topic 3: Arbitrage and Positive Pricing Topic 4: Valuation Topic 5: State Prices and Risk-Neutral Probabilities <b>Assessments:</b> Assignment#1
Module 2	<b>Topics:</b> Topic 6: Portfolio Restrictions Topic 7: Valuation under Portfolio Restrictions Topic 8: Expected Utility; Risk and Risk Aversion Topic 9: Debt, Equity, and Futures Topic 10: Options and other Derivations <b>Assessments:</b>



	Assignment#2
Module 3	<p><b>Topics:</b>  Topic 11: Optimal Portfolio with One Risky Security  Topic 12: Comparative Statics of Optimal Portfolios  Topic 13: Optimal Portfolios with Several Risky Securities  Topic 14: Consumption-Based Security Pricing  Topic 15: Complete Markets and Pareto-Optimal Allocations of Risk</p> <p><b>Assessments:</b>  Midterm  Assignment#3</p>
Module 4	<p><b>Topics:</b>  Topic 16: Optimality in Incomplete Markets; The Expectations and Pricing Kernels  Topic 17: Capital Asset Pricing Model; Factor Pricing  Topic 18: Equilibrium in Multidate Security Markets  Topic 19: Dynamically Complete Markets  Topic 20: Event Prices, Risk-Neutral Probabilities, and the Pricing Kernel</p> <p><b>Assessments:</b>  Assignment#4</p>
Module 5	<p><b>Topics:</b>  Topic 21: Martingale Property of Gains  Topic 22: Conditional Consumption-Based Security Pricing  Topic 23: Conditional Beta Pricing and the CAPM  Topic 24: Equilibrium in Infinite-Time Security Markets  Topic 25: Final Exam Reviews and Question Session</p> <p><b>Assessments:</b>  Final Exam</p>

## ATTENDANCE

1) Class attendance is required. Missing classes without permission will lead to decrease in overall grade.

Missing less than two classes: no penalty.

Missing more than two classes: 7% will be taken off from the overall grade.

If the instructor reports a student's frequent missing of class to the Soochow University Academic Administration Office, the student might get a written warning and might be prohibited from attending final exam.

2) Participants in this course are expected to arrive in class promptly and adequately prepared. The primary objective of this course is to critically engage with the readings



and the subject matter. Therefore, course participants are expected to have completed the reading prior to class and prepare thoughtful reflections/commentaries to share with fellow colleagues.

## **LEARNING REQUIREMENTS**

- 1) Late assignments are not acceptable and are subjected to grade deductions.
- 2) Assignments submitted in the wrong format will be counted as not submitted.
- 3) Failure to submit or fulfill any required course component results in failure of the class.
- 4) Make-up for midterm and final exams only with valid excuses, as defined by the University.
- 5) In order to earn a Certificate of Completion, participants must thoughtfully complete all assignments by stated deadlines and earn an average quiz score of 50% or greater.

## **TECHNOLOGY POLICY**

The use of electronic devices in class is distracting, both for the user and for the rest of the class. Only non-programmable calculators can be used in the tests and exam. Any attempts to use cell phones and other electronic communication devices will be seemed as cheating. Laptops are discouraged, unless you use them for activities DIRECTLY related to the course (eg., note taking, reading course documents).

## **ACADEMIC INTEGRITY POLICY**

Soochow University highly values the academic integrity and aims to promote the academic fairness, honesty and responsibility. Any academic dishonesty behaviors and any attempts to cheats and plagiarism will be reported to the university administration office. A written warning and the relevant penalties will be imposed. The record might be shown on the official university transcript.

## **DISABILITY ACCOMMODATION**

Soochow University is committed to maintaining a barrier-free environment so that students with disabilities can fully access programs, courses, services, and activities at



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Soochow University. Students with disabilities who require accommodations for access to and/or participation in this course are welcome.

Note:

Please contact the University Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material.