



北京大學
汇丰商学院

Peking University HSBC Business School

FIN-525 Financial Economics II Module 4, 2018-2019

Course Information

Instructor: Lei Sun

Office: PHBS Building, Room 658

Phone: 86-755-2603-3007

Email: sunlei@phbs.pku.edu.cn

Office Hour:

Teaching Assistant:

Phone:

Email:

Classes:

Lectures:

Venue:

1. Course Description

1.1 Context

Course overview:

This course is a follow-up for Financial Economics I. The goal of this course is to provide students with an understanding of the fundamental and central theories and techniques of financial economics at the Master's level. After successful completion of the course students should:

1. Have a deeper understanding of the fundamentals of financial economics: utility theory, mean-variance portfolio analysis, Capital Asset Pricing Model and other linear factor models, no arbitrage and state pricing.
2. Understand how to extend these fundamental models to multi-period cases.
3. Apply the knowledge to Chinese financial market.

Prerequisites: Financial Economics I (FIN520)

1.2 Textbooks and Reading Materials

Theory of Asset Pricing, by George Pennacchi, 2007, Princeton University Press, Pearson.

Lecture notes will be photocopied and brought to you before class. To be closely linked with Chinese capital market, some papers are recommended, including:

1: Wei Xiong & Jialin Yu, 2011. "The Chinese Warrants Bubble," American Economic Review, vol. 101(6), pages 2723-53, October.

2: Jianping Mei & Jose A. Scheinkman & Wei Xiong, 2009. "Speculative Trading and Stock Prices: Evidence from Chinese A-B Share Premia," *Annals of Economics and Finance*, vol. 10(2), pages 225-55, November.

3: Jianlei Han & Jing He & Zheyao Pan & Jing Shi, 2018. "Twenty Years of Accounting and Finance Research on the Chinese Capital Market," *ABACUS*, vol. 54(4), Pages 576-99.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Y
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Y
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Y
	2.2. Students will be able to apply leadership theories and related skills.	Y
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	Y
	3.2. Our students will practice ethics in the duration of the program.	Y
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Y
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Y
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Y
	5.3. Our students will demonstrate competency in critical thinking.	Y

2.2 Course specific objectives

2.3 Assessment/Grading Details

Assessment task	Weighting
Midterm Exam	50%
Group Presentation	40%
Attendance	10%
Total	100%

Midterm Exam: 50%

It will be held at the first lecture in week 6 (lecture 11), lasting for 90 minutes. The scope of the exam includes all the material taught by the end of week 5. It is a closed-book, closed-

notes exam. You are allowed to bring your calculator with you. If you anticipate any conflicts with the exam dates, please inform me as early as possible **before the exam**. I do not accept travel plans, job/internship interviews as a legitimate reason. For other conflicts with sufficient evidence, we can discuss them case by case. A general solution is a make-up exam.

Group Presentation: 40%

Students will be randomly divided into groups, with 4 students each group. By week 3, each group will pick a topic from Han’s paper (reference 3 above) subject to my approval. Students are supposed to replicate the topic with the latest Chinese data and present to us from week 8. Each presentation should not exceed 25 minutes. Also, each group need to participate into the discussion of another group and the comment should not exceed 10 minutes. Grades are given based on the presentation and the discussion. All group members within one group will get the same score.

Attendance: 10%

If you are found to be absent without pre-notification, you will have 2 marks deducted each time.

The overall mark will be aligned with other courses, specifically a similar mean but normally a high standard deviation. (Pay attention to the tail risk)

2.4 Academic Honesty and Plagiarism

It is important for a student’s effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

Schedule	Topics
Lecture 1	Introduction to this Course
Lecture 2	Review on Expected Utility Theory.
Lecture 3	Review on Mean Variance Analysis.
Lecture 4	Review on CAPM and Fama and French 3-Factor Model.

Lecture 5	Review on Fundamental Theorem of Asset Pricing
Lecture 6-10	A Multiperiod Discrete-Time Model of Consumption and Portfolio Choice: the Bellman Equation, Multiperiod Market Equilibrium, the Lucas Model of Asset Pricing, and Bubbles.
Lecture 11	Midterm Exam
Lecture 12-13	Analysis of Chinese Warrant Bubble Paper
Lecture 14	Analysis of Chinese AB Share Premium Paper
Lecture 15-18	Group Presentation on Chinese Capital Market

4. Miscellaneous

Contacts: Please register your correct email when enrolling for this course as this is the main channel we contact each other throughout this course. Please check your email daily when it is possible. Treat these requirements as your own responsibility.

Discipline: If you decide to come to class, show your respect to both the instructor and your peers. Make sure to come to class on time and not leave early. Switch off your mobile or at least keep it quiet during class.