

INVESTMENTS (ECB 243)

October & November 2019

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Classroom:

Class Hours

9-11:10 am every weekday

1:30-3 pm on Monday, Tuesday and Thursday

Office Hours

1:00-1:30 pm every weekday or by appointment

Prerequisites

ECB 101 or 102, ECB 151, and either STA 201 or 348

Course Overview and Objective

This course provides students with a theoretical foundation useful for making investment decisions by financial markets participants including individuals as well as institutional investors (mutual & hedge funds, pension funds, corporate treasurers, etc.). Topics covered will include risk-return tradeoff and diversification, portfolio optimization and asset allocation, basic asset pricing models for valuing bonds and stocks, behavioral finance and basics of derivatives markets.

Any sound investment decision requires a thorough and in-depth knowledge of the financial environment. This course covers a variety of markets and securities in three broad categories of equity, debt and derivatives including stocks, treasury and corporate bonds, futures and options. The simulation software **Stock-Trak** and case studies will be used to provide you with hands-on exposure to the process of investment management including identification of objectives and constraints, asset allocation and performance evaluation.

This course is quantitative by nature, as rigorous analytical thinking and careful quantitative analysis is an integral part of investment process. Solving quantitative problems and Excel data analysis is a large part of what we will do this block. I will review the required mathematical background where necessary. You could find a lot of Excel tutorial video online, such as: <http://www.youtube.com/watch?v=8L1OVkw2ZQ8>. Please also note that support is available from the quantitative reasoning studio outside of class (<http://www.cornellcollege.edu/library/ctl/qr/index.shtml>).

This course supports the Educational Priorities and Outcomes of Cornell College with emphasis on knowledge, quantitative reasoning, inquiry, communication and ethical behavior.

Course Material

Required

- **Essentials of Investments** (9th edition), by Bodie, Kane, and Marcus (ISBN: 978-0-07-803469-5). Available at the college Bookstore (eBook may also be available).
- **Business Adventures: Twelve Classic Tales from the World of Wall Street**, by John Brooks. Available at the college Bookstore.
- **Harvard Business Publication Case Studies:** You can find and purchase the case studies for this class using the following link: <https://hbsp.harvard.edu/import/669472>

Recommended

- **Wall Street Journal** (Cole Library 4th floor, Newspapers; or electronically available through ProQuest). You can use the following link to access WSJ articles using library computers: <https://search.proquest.com/publication/10482/citation?accountid=41461>
- **Economist** (Cole library 3rd floor, Periodical Shelves; or electronically available by checking out an electronic subscription through Zinio)
- **Financial Calculator** (Texas Instruments BA II Plus)

Class Format

The morning sessions will be mostly dedicated to lectures based on our textbook “Essentials of Investments”, In-class problem sets designed to review important concepts and develop analytical skills, case studies and exams. During the afternoon sessions we will spend our time on Stock-Trak simulation project or continue with lectures/problems where necessary.

PowerPoint slides related to each chapter will be available on Moodle. However, I will be mostly using the board for lecturing and I may use additional sources during our class discussions so you will need to take notes in class. I expect you to read the assigned chapters before each session and actively participate in class discussions.

- Please bring your laptop and calculator with x^y key so that you can participate (financial calculator is preferred)
- Please do not be shy about asking questions or asking me to repeat anything that is not clear to you.

Grading

1. 3 Exams	50%
Exam1: 15%, Exam2: 15%, Final: 20%	
2. 3 Quizzes	6%
3. Assignments	25%
12% end of chapter problems+8% case study reports+5% reading and discussion assignment	
4. Stock-Trak project	12%
5. Participation	7%
	100%

- I reserve the right to use my discretion at the margin, and things such as class participation will be considered in borderline cases.

Exams & Quizzes

There are 2 midterm exams and a final. All exams are closed book, and to be done independently. You may bring a one-sided page of hand-written notes and not share with others. The final exam is cumulative with more focus on materials not covered in the first 2 exams (40% from week 1&2-60% from week 3&4). You can use (financial) calculators during the exam. See the course schedule for the exam dates. You will have 3 short quizzes, each accounting for 3% of your final grades.

End of Chapter Problems

During the block you will have 6 homework from end of chapter questions or problems to be done individually. Each homework accounts for 2% of the final grade. Working in groups with classmates on homework assignments is permitted. However, you need to provide your own answers individually and explain the process you reached your final answer in detail. All answers should be typed and submitted on Moodle as a word document. **Late submission is not accepted.**

- The following table shows the potential list of the homework problems and their due dates. I may occasionally make changes to this list. Any change will be announced in class.

Potential Homework Problems and due dates	
HW1: Due Wednesday Oct.23 at 11 pm	Ch1: 8,12,14 Ch2: 17,18,24,25,28, CFA1 Ch4: 13,15,21
HW2: Due Friday Oct.25 at 11 pm	Ch3: 12,16,18,20,21,CFA1&2 Ch5: 5,6,12,13,14,18
HW3: Due Wednesday Oct.30 at 11 pm	Ch6: 1-4, 6,7,8-12,21
HW4: Due Friday Nov.1 at 11 pm	Ch7: 4-7, 12,13-19,25,27
HW5: Due Wednesday Nov.6 at 11 pm	Ch8: 6,7,9,13,17 Ch9:
HW6: Due Friday Nov.8 at 11 pm	Ch10: 4-9,14,15,20,CFA2&5 Ch13: 14,15,20, CFA2&3

- *This type of assignment supports the Educational Priorities and Outcomes of Cornell College with emphasis on knowledge and quantitative reasoning.*

Case Studies and Reports

You will work in teams on two cases from “Harvard Business Publication Case Studies” during this course. These cases are analytical and highly quantitative and are designed to help you apply financial theory to real world situations and issues faced by investors . They provide an opportunity to get familiar with financial data and learn how to use Microsoft Excel to approach semi-complicated investment related problems. I expect you to read the assigned cases, think about them carefully and discuss them with your group members before the day they are discussed in class.

During the case days, we will discuss the problems, their background and related concepts as a whole group and I will provide some guidance on how to approach the problems. Then you will

start working with your team members. Part of the case study is done during the class time and part of it is left as an assignment for you to finish as a group after the class. You should provide a few pages report (3 to 5 pages double spaced recommended) that summarizes your answers and explains and interprets them clearly and sufficiently. There is no requirement on the exact number of pages as long as you provide sufficient analysis and explanation. Your report should include details of calculations, tables and graphs where necessary.

You can find and purchase the case studies for this class using the following link:

<https://hbsp.harvard.edu/import/669472>

- *Case studies are designed as a combination of group class activity and assignment and support the Educational Priorities and Outcomes of Cornell College with emphasis on quantitative reasoning, inquiry and communication.*

Stock-Trak Project: Create a Mutual Fund

Over the course of the block, you will participate in a real-time, investment simulation via the Stock Trak platform. Your team will be assigned the role of a portfolio manager with \$1,000,000 to invest in bonds and stocks across several exchanges worldwide. Details will be provided in a separate handout. Please remember to bring your laptop in the afternoon classes to work on the Stock-Trak project.

You can use the following link for registration:

https://www.stocktrak.com/members/registerstudent?className=ECB243_Fall2019

Reading and Discussion Assignment: Business Adventures

Twelve Classic Tales from the World of Wall Street

"Business Adventures remains the best business book I've ever read." —Bill Gates

From the mysterious Flash Crash of 1962 to the "The Last Great Corner" in Piggly Wiggly, to the 1966 SEC's legal actions against Texas Gulf Sulphur Company, John Brooks Business Adventures, provides an insightful and detailed reportage on some important events that occurred in the world of business and finance during 50's and 60's. After reading these fascinating stories, you will find that the insights are timeless and that the history repeats itself in many cases.

This block, we are going to read and discuss 5 stories from this book. You must read the assigned stories before the due date and be prepared for an active class participation and discussion on the related topic during the discussion day.

Due Friday Oct. 25

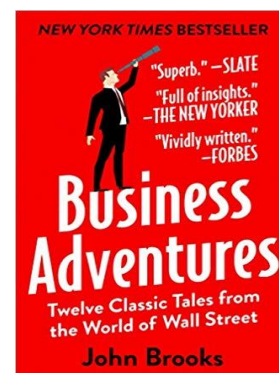
- The Fluctuation (p.3 to p.29)

Due Friday Nov.1

- A Reasonable Amount of Time (p. 136 to p.165)
- Making the Customers Whole (p.201 to p.226)

Due Friday Nov.8

- The Last Great Corner (p.225 to p.282)
- Stockholder Season (p.315 to p.337)



- *The reading and discussion assignment support the Educational Priorities and Outcomes of Cornell College with emphasis on Knowledge, ethical behavior and communication.*

Class Participation

You are expected to **attend every class on time and actively participate in class discussions.** Your participation grade will be negatively impacted by absence and lateness. If you are late for three times or more, you will lose all participation points. If you miss three days of class or more, you will get a “D” or a “F”. Besides attendance, your participation grade is determined based on the quality of your participation which includes coming to the class ready and prepared, paying full attention during lectures and activities, being active in discussions and being respectful to the instructor and classmates.

Electronic policy: Please keep your cell phones, laptops or any electronic devices turned off during class. The only exception is when I ask you to use laptops to work on a case study or Stock-Trak project or Excel activity. Please do not use any other electronic devices as calculator.



Academic Honesty

Academic dishonesty will not be tolerated and will be dealt with in accordance with Cornell’s Student regulations. For more information see:

<http://www.cornellcollege.edu/registrar/academic-catalogue/index.html#p=31>.

Special Needs

Students who need accommodations for learning disabilities must provide documentation from a professional qualified to diagnose learning disabilities. You can find more information in the following page:

<https://www.cornellcollege.edu/academic-support-and-advising/disabilities/index.shtml>

Students requesting services should schedule a meeting with the disabilities services coordinator as early as possible to discuss their needs and develop an individualized accommodation plan. Ideally, this meeting would take place well before the start of classes. At the beginning of each course, the student must notify the instructor within the first three days of the term of any accommodations needed for the duration of the course.

Course Calendar

Date	Topic	Chapter	Due Dates
Week 1			
1. Oct. 21	Introduction to financial markets and investments <i>Afternoon: Stock-Trak introduction & Practice</i>	1 & 4	
2. Oct. 22	Asset Classes and Financial Instruments <i>Afternoon: Mini-lecture on asset allocation Stock-Trak Practice</i>	2	
3. Oct. 23	Securities Markets	3	HW1
4. Oct. 24	Risk and Return <i>Afternoon: Mini-lecture on Investment strategies Stock-Trak Practice</i>	5	
5. Oct. 25	Quiz1 (From the topics covered in week 2) Review of week 1; Intro to Modern Portfolio Theory; Business Adventure	6	HW2 1 st Report
Week 2			
6. Oct. 28	Efficient Diversification <i>Afternoon: 1st project presentation</i>	6	1 st presentation Competition starts
7. Oct. 29	Efficient Diversification; Case 1: Strategic asset allocation during global uncertainty <i>Afternoon: Continue Case 1 and Stock-Trak</i>	6	
8. Oct. 30	Exam 1 (From the topics covered during week 1)	-	HW3
9. Oct. 31	CAPM and APT <i>Afternoon: Stock-Trak</i>	7	
10. Nov. 1	Quiz2 (From the topics covered in week 2) Review of week 2; Intro to EMH & behavioral finance; Business Adventure	8	HW4
Week 3			
11. Nov. 4	EMH and Behavioral Finance <i>Afternoon: Stock-Trak</i>	8&9	Case 1 report
12. Nov. 5	Bond Prices and Yields; Case 2: Daren Capital Management-The Cavalier Fund <i>Afternoon: Continue Case 2 and Stock-Trak</i>	10	
13. Nov. 6	Exam 2 (From the topics covered during week 2)	-	HW5
14. Nov. 7	Bond Prices and Yields; Equity Valuation <i>Afternoon: Stock-Trak</i>	10&13	
15. Nov. 8	Quiz3 (From topics covered in week 3) Equity valuation; Review of week 3; Business Adventure	13	HW6 Case 2 report Competition ends
Week 4			
16. Nov. 11	Intro to Derivatives Markets <i>Afternoon: Final review</i>	Lecture Notes	Final presentation slides & final report
17. Nov. 12	Final Presentation	-	Final presentation
18. Nov. 13	Final Exam (Cumulative: 40% from week 1&2-60% from week 3&4)		