

Econ 3050

JS Investment Analysis

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&
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Contact Information for 1st Half of Course [MT & 2 weeks of HT]

- Lectures:
 - Wednesday 1700hrs, Room 3074
 - Friday 1300hrs, Theatre 2039
- Tutorials:
 - Thursday 1300hrs, Room 4047 (approximately weekly/fortnightly)
- Office hours:
 - TBA
- Email:
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Assessment

- Term Test in final week of MT (20% of overall grade, 2 hours duration)
- Term Test in final week of HT (20% of overall grade, 2 hours duration) [Prof. Honohan]
- End of year exam (60% of overall grade, 3 hours duration)
- Outgoing students?
- Visiting students?
- Past performances?

Essential Reading!

- *Textbook*

Investments: Spot and Derivative Markets,
Keith Cuthbertson and Dirk Nitzsche,
Chichester: John Wiley & Sons, 2001

- *Lecture Notes*

will be available online or sent via email

Supplementary Sources

- *Quantitative Financial Economics: Stocks, Bonds and Foreign Exchange*, Keith Cuthbertson and Dirk Nitzsche, Chichester: Wiley, 2004
- *Financial Engineering: Derivatives and Risk Management*, Keith Cuthbertson and Dirk Nitzsche, Chichester: Wiley, 2001
- *Investments*, Bodie, Kane and Marcus, 6th edition, London: Irwin/McGraw-Hill, 2005
- *Mathematics for Economics and Business*, Ian Jacques, 4th edition, London: Prentice Hall, 2003

Useful Websites

- <http://www.investopedia.com>
- <http://www.jstor.org>
- <http://scholar.google.com>
- <http://www.wikipedia.com>

Requirements

- As an analytical course it requires a degree of technical ability/understanding..
- Reason to turn take flight? No...
- Everyone should have the basic skills required.
- Essentially JS Maths and Stats level
- Still: mean, variance, covariance, compounding, discounting, arithmetic, optimisation (single- and some multivariate) used frequently

What's the course about?

- Introductory course in financial economics, a branch of microeconomics.
- We will analyse various financial products, such as bonds, stocks, and derivatives.
- Set up models for pricing assets.
- Key variables: Return, expectations, risk...

Money Markets: Return, no Risk

- We will ignore risk to begin with and look at concepts such as simple vs. compound interest, discounting, time-value of money, return assessment over a period (capital appreciation and income considerations, inflation)
- Money markets (sovereign backed => low nominal risk, highly liquid short run assets => low real risk)

Bond Markets

- Pricing of nominally fixed income streams
- Sovereign vs. corporate backed
- Yield To Maturity & Holding Period Return.
- Forward rates, Yield curve & the Term Structure of Interest Rates
- Bond portfolio management strategies: duration and convexity, immunisation, swaps.

Derivatives

- Basic introduction to derivatives market: options, futures, and swaps..

Equity

- Pricing of nominally variables income streams?
- Portfolio theory
- Risk versus expected return
- Equilibrium theories (CAPM, APT)

Irrelevance of Corporate Finance?

- Modigliani & Miller
- Valuation of Companies and their capital structure: Debt-Equity ratio?

International Dimension

- FOREX
- International Portfolio Diversification

Questions?