



## Investment Analysis B | ECU33052

Year	Junior Sophister
ECTS Credits	5
Contact Hours	22 hours of lectures and 4 hours of tutorials
Pre-Requisite	ECU22011 & ECU22012 Intermediate Economics and ECU22031 & ECU22032 Mathematical and Statistical Methods (or equivalent)  This module does not assume previous knowledge of financial economics and for the most part the level of mathematics and statistics does not extend beyond SF Maths and Stats. Students should note, however, that this is an analytical economics module that makes constant use of tools derived from mathematical and statistical concepts.
Semester	2
Module Leader and Lecturer	Professor Davide Romelli
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### Module Outline:

This module analyses, at both a practical and theoretical level, the process of investment in financial markets. The first half of the module explores how financial markets operate and how securities are bought and sold. The trade-off between higher average returns and more 'risky' pay-offs is then discussed. The problem of determining an optimal investment strategy, given beliefs about the probability distribution of returns, is also addressed. Other issues considered include the informational efficiency of financial markets and systematic pricing failures, the role of behavioural biases, and the relative usefulness of fundamental analysis and technical



analysis in predicting price movements. Students are also required to complete projects involving the collection and analysis of financial data.

#### Topics Covered Include

- Introduction and Diversification
- The Efficient Frontier and The Single Index Model
- Capital Asset Pricing Model (CAPM)
- Zero-Beta CAPM
- Empirical Tests of CAPM
- Arbitrage Pricing Theory (APT)
- Debt and Equity, Efficient Market Hypothesis (EMH) and Technical Analysis
- Behavioural Finance

#### Module Learning Outcomes:

Upon successful completion, students will be able to:

- Explain the theory underlying portfolio theory
- Explain and critique the Capital Asset Pricing Model (CAPM)
- Contrast the Arbitrage Pricing Theory and Capital Asset Pricing Model
- Explain the Efficient Market Hypothesis and discuss the issues of behavioural finance

#### Assessment:

The project is worth 70% of module marks, while the term test is worth 30% of module marks. Late submissions that have not been agreed in writing beforehand will be penalised 10% per day.

#### Recommended Reading List:



Trinity College Dublin  
Coláiste na Tríonóide, Baile Átha Cliath  
The University of Dublin

## Undergraduate: Economics | Module Outlines 2024/5

*Corporate Finance*, Hillier, D. J., Ross, S. A., Westerfield, R. W., Jaffe, J., and Jordan, B. D., 3rd edition, London: McGraw-Hill/Irwin, 2016. (Earlier editions will also suffice).

*Investments*, Bodie, Z., Kane, A., and Marcus, A. J., 10th edition, London: McGraw-Hill/Irwin, 2016.