



## FORMAN CHRISTIAN COLLEGE

### ECON 320- ECONOMICS OF INVESTMENT AND FINANCE SPRING 2023

#### Course Outline Section A

Instructor	Sumaira Lodhi
Office	E218(4)
Office Hours	Tues and Thursday 11am -12:30pm You can also book an appointment through email
Email	sumairalodhi@fccollege.edu.pk

COURSE INFORMATION	
Name	Economics of Investment and Finance (ECON 320) – Section A and B
Credits	3
Duration	50 minutes
Lecture (s)	9:30am-10:45am (SECTION A)
Room No	E222

COURSE DESCRIPTION
<p>This course is designed as students' first course in investments. This course lays out the general framework for the investment process in a non-technical manner. This course would focus on the major players in financial markets and will provide an overview of security types and modern portfolio theory. To advance the understanding of fundamental concepts of finance, financial markets and market participants, valuation techniques of financial instruments, and working knowledge of portfolio management. The course offers a brief introduction to option payoffs, strategies and securities. No prior knowledge is assumed but a desire to learn about the topic is essential.</p>

COURSE OBJECTIVES
<p>This course aims to;</p> <ul style="list-style-type: none"><li>➤ To see elements of investments</li><li>➤ Identify roots of financial crisis and the fallout from the crisis</li><li>➤ Introduce core of modern portfolio theory</li><li>➤ Discuss security valuation</li><li>➤ Discuss how international political developments such as the euro crisis can have major impacts on economic prospects</li><li>➤ Identify determinants of bond safety</li><li>➤ Manage bond portfolio, security analysis and introduce derivative markets</li></ul>

## LEARNING OUTCOMES

This course will enable students to:

- To explain the economic fluctuations of financial markets and how various securities are associated with the governance of the corporation
- Identify different types of financial markets and major participants in each of those markets
- Describe the construction of stock market indexes
- Calculate the profit or loss on investments in options and future contracts
- Describe how firms issue securities to the public
- Contrast open-end mutual funds with closed-end funds, unit investment trusts, hedge funds and exchange-traded funds
- To explain portfolio theory
- Calculate mean, variance, and covariance using data or scenario analysis
- Calculate bond prices and yield to maturity

## GRADING BREAKUP

The entire course is worth of 100%, breakup for which is as under:

<i>Assignments:</i>	<b>10%</b>
<i>Activities</i>	<b>10%</b>
<i>Quizzes</i>	<b>10%</b>
<i>Midterm exam</i>	<b>30%</b>
<i>Final term exam</i>	<b>40%</b>

The mid-term and final-term exams will consist of Constructed Response Questions (CRQs) and Extended Response Questions (ERQs) or a case study and there will be no multiple-choice type questions, true/false, fill in the blanks type questions.

## COURSE MATERIAL

### Textbook

Bodie, Z., Kane, A., & Marcus, A. J. (2013). Essentials of investments (pp. 532-537). Taipei: McGraw-Hill/Irwin.

### Supporting Material

How Charts Can Help You in the Stock Market - Jiler

Shirman, L. (2012). 42 Rules of Sensible Investing: A Practical, Entertaining and Educational Guidebook for Personal Investment Strategies. Happy About.

Manias, Panics and Crashes – C.P. Kindleberger

### Tentative Schedule

Week	Lecture No.	Contents Covered	Reading Material	Assessment
1.	i.	Introduction to course and course outline review Discussion Prompts: <i>Why should I Invest?</i> Power of compound interest Difference between saving and investing Idea of Sensible investing	Handout on Power of compound interest and difference between saving and investing Video link: Compound Interest Explained; <a href="https://www.youtube.com/watch?v=wf91rEGw88Q&amp;feature=youtu.be_gdata">https://www.youtube.com/watch?v=wf91rEGw88Q&amp;feature=youtu.be_gdata</a> Publisher: Investopedia	Questions on video :Compound interest explained -Using the Compound interest Formula on Excel
	ii.	<b>Part One Elements of Investments</b> Investments: Background and issues: Introduction to financial markets and institutions, real assets and financial assets	BK&M Chapter 01, pp 3-8	
	iii.	Investments: Background and issues (cont)... The investment process Markets are competitive Risk-return trade off The players	BK&M Chapter 01, pp 9-15	Activity#1
2.	i.	Financial crisis of 2008 Causes Consequences Avoiding future financial crisis	BK&M Chapter 01, 15-21	Quiz#1
	ii.	<b>Elements of Investments (cont)</b> Asset classes and financial instruments: The money market Discussion Prompt: Stock Market	BK&M Chapter 02, pp 27-36 Video link : How The Stock Exchange Works: <a href="https://edpuzzle.com/media/5d51e81368edba413a68cd10">https://edpuzzle.com/media/5d51e81368edba413a68cd10</a> Publisher: Kurzgesagt	Assignment #1 Worksheet on Stock Exchange  Questions on Stock Performance
	iii.	What does it mean to own stock? Stock Performance How charts can help you in the stock Market Stock Market Logic	<a href="#">Stock Performance - Chipotle (NYSE:CMG)</a> <a href="#">Stock Performance – Nike (NYSE: NKE)</a> <a href="#">Stock Performance –Amazon (NASDAQ: AMZN)</a> <a href="#">Stock Performance – Snap Inc.</a> Publisher: Google Selected Readings from <i>Stock Market Logic</i> - N. Fosback	

			<i>How Charts Can Help You in the Stock Market - Jiler</i>	
3.	i.	The bond Market Investing Basic: Bonds	Discussion Prompts: Bonds, Diversification & Asset allocation Video link: investing Basics:Bonds; <a href="https://www.youtube.com/watch?v=IuyejHOGCro">https://www.youtube.com/watch?v=IuyejHOGCro</a>	Questions on Investing Basics: Bonds
	ii.	The power of diversification Asset classes and financial instruments (cont)... Equity Securities Stock and Bond market Indexes	Video link: the power of diversification; <a href="https://www.youtube.com/watch?v=pNO3Rmmez0&amp;feature=youtu.be">https://www.youtube.com/watch?v=pNO3Rmmez0&amp;feature=youtu.be</a> BK&M Chapter 02, pp 27-36	Activity #2
	iii.	Asset classes and financial instruments (cont)... Derivative Markets Options Futures Contracts <b>Elements of Investments (cont)</b> Securities markets: How firms issue securities How securities are traded	BK&M Chapter 02, pp 46-47 BK&M Chapter 03, pp 55-61	
4.	i.	<b>Elements of Investments (cont)</b> The rise of electronic trading New trading strategies	BK&M Chapter 03, 65-68	
	ii.	Globalization of stock markets Introducing Mutual funds, Index funds and ETF's	BK&M Chapter 03, pp 68 Video link; What Are Mutual Funds, Index Funds And ETF's? <a href="https://edpuzzle.com/media/5d34fa1b00a86b40bc876193">https://edpuzzle.com/media/5d34fa1b00a86b40bc876193</a>	Quiz#2 Video Questions on Mutual Funds and Index Funds
	iii.	Mutual funds and other investment companies: Types of investment companies	BK&M Chapter 04, pp 84-87 BK&M Chapter 04, pp 88-93	Assignment 2
5.	i.	Mutual Funds Costs of investing in mutual funds Choosing the right Target Date Fund Calculate Investment Fees	Video link; Choosing the right Target Date Fund; <a href="https://www.youtube.com/watch?v=RLPKP0xjOeI&amp;feature=youtu.be">https://www.youtube.com/watch?v=RLPKP0xjOeI&amp;feature=youtu.be</a> Publisher: Retire Happy	Activity #3 Worksheet; Calculating investment Fees

	ii.	Make Mutual Funds What's the S&P 500?	Lecture, Fast Facts and Worksheet	Activity# 4 ; Let's make a mutual fund Exit ticket
	iii.	Introduction to Portfolio theory Importance and application	BK&M Chapter 05, pp 110-115	
6.	i.	Part two <b>Portfolio theory</b> Risk and return: past and prologue: Rates of return Inflation and real rate of interest  <b>Portfolio theory (cont)</b> Risk and return: past and prologue: A brief introduction to Risk and return premiums	BK&M Chapter 05, pp 110-115  BK&M Chapter 05, pp 110-115	Quiz #3
	ii.	<b>Portfolio theory (cont)</b> Efficient Diversification: Diversification and portfolio risk	BK&M Chapter 06, pp 148	
	iii.	Efficient Diversification: Asset allocation with two risky assets	BK&M Chapter 06, pp 149-157	
7.	i.	The optimal risky portfolio with a risk-free asset Part three <b>Debt Securities</b> Bond prices and yields	BK&M Chapter 06, pp 159 BK&M Chapter 10, pp 149-157	Activity#4
	ii.	Bond characteristics	BK&M Chapter 10, pp 291-297	Assignment #2
	iii.	Bond pricing	BK&M Chapter 10, pp 297-301,	
8.	<b>Midterm II</b>			
9.	i.	Bond yields Bond prices over time Yield curve	BK&M Chapter 10, pp 302-322	
	ii.	<b>Managing portfolios</b> Interest rate risk Passive bond management Active bond management	BK&M Chapter 10, pp 335-354	
	iii.	<b>Robo-Advising</b>	Discussion Prompts	Exit ticket

		What is Robo advising Rise of robo advising Criterion to choose robo advisor Top 5 investment robo advisor Robo advising and investing apps	Video link on: Rise of the Robo Advisors; <a href="https://edpuzzle.com/media/5d56c4d1dcda1840bb8d32e2">https://edpuzzle.com/media/5d56c4d1dcda1840bb8d32e2</a>	
10.	i.	<b>Security Analysis</b> Macroeconomic and industry analysis: The global economy The domestic macro-economy	BK&M Chapter 12, pp 371-373	Assignment #3
	ii.	Macroeconomic and industry analysis: Interest rates Demand and supply shock	BK&M Chapter 12, pp 375-376	Activity#5
	iii.	Macroeconomic and industry analysis: Federal Govt policy Business Cycles Industry analysis	BK&M Chapter 12, pp 375	
11.	i.	<b>Option Markets</b> Option contracts	BK&M Chapter 15, pp 485-488	
	ii.	<b>Option Markets (cont)</b> Value of options at expiration Option like securities	BK&M Chapter 15, pp 489-494, pp 502-508	Quiz#4
	iii.	<b>Future markets and risk management</b> The future contract Trading mechanics	BK&M Chapter 15, pp 485-488	
12.	i.	Future market strategies <b>Future markets and risk management (cont)</b> Future prices	BK&M Chapter 15, pp 485-488	Activity#6
	ii.	<b>Future markets and risk management (cont)</b> Financial futures	BK&M Chapter 15, pp 485-488	
13.		<b>Revision and activities</b>		
<b>Final Exam</b>				

**Grade Determination & Course Assessment:**

Letter Grade	GPA	%age	Letter Grade	GPA	%age
A	4.0	93% - 100%	A-	3.7	90% - 92%
B+	3.3	87% - 89%	B	3.0	83% - 86%
B-	2.7	80% - 82%	C+	2.3	77% - 79%

C	2.0	73% - 76%	C-	1.7	70% - 72%
D+	1.3	67% - 69%	D	1.0	60% - 66%
F	0.0	Below 60%	W	Official Withdrawal	

### Student's Conduct & Other Issues

1.	You should follow all university guidelines established in your student handbook. Any student can be removed from the class where behavior is deemed inappropriate or disruptive.
2.	Use of mobile phones is strictly prohibited in my class. If you have to use any electronic gadget to note down lectures, you have to sign a contract with me and you will sit in first two rows of class throughout the semester.
3.	You are expected to be in each class. In case of absence you are responsible for the announcements made and material given during that missed class. Minimum class attendance to participate in final examination is 80%.
4.	Regularly coming to class late or leaving early is disruptive and shows a lack of respect for the rest of us. If you come later than 10 minutes after the class has started, you will not be allowed to sit in the classroom.
5.	Questions and comments are encouraged; your questions will not only help yourself, but others as well. Do ask questions and participate in class discussion actively.
6.	Problem sets/assignments have to be submitted on due date, no late submission. There will be no makeup quiz or examinations, therefore, don't miss any exam or quiz. There is no compensation of any missed assignment or class activity as well.
7.	Cheating or plagiarism in relation to any piece of work submitted for assessment shall be subject to the FCC's dishonest practice regulations. <b>Direct F grade will be given if case is proven.</b>