Sylllabus

Course title: FINANCIAL MARKETS

Course coordinators: Johan HOMBERT, **Stefano LOVO**, Evren ORS

Presentation: This course introduces the students to the basics of financial markets and financial instruments traded in these markets. It covers the stocks, the bonds, forward and futures contracts, and options. An important theme of the course is the concept of arbitrage. The course follows the Financial Economics course and complements the fundamental knowledge of finance that is needed for the M1-level Corporate Finance and other finance classes.

Course format: The course is composed of twelve lectures of 1.5 hours, weekly quizzes and a final exam. Attendance is required.

Material: Slides, Reader, and problem sets, practice quizzes, practice exam, with solutions posted on www.hec.fr/lovo.

Review sessions: Online review sessions will be held to go over the quizzes and problem sets. Review sessions are optional and will take place from 8:00 p.m. to 10:00 p.m. on November 2,12,19, 26 and December 3.

Evaluation: The final grade is out of 300 points. It consists of:

- A two-hour final open-book exam, taken after the end of the course. This exam counts for 2/3 of the final grade (200 points).

- Five in-class open-book quizzes, taken in the first ten minutes of class. **Access to the quizzes will be via Blackboard**. In total, quizzes represent 1/3 of the final grade. Each quiz is graded out of 25 points and the four best quizzes are added up to obtain a total out of 100. There will be no make-up quizzes under any circumstance.

Course schedule

Lesson	Date		Topics
1)	Oct 26/27		Stocks: Dividend Discount Model;PVGO
2)	Oct 28/29		Price-Earnings ratio; Market efficiency; arbitrage pricing
3)	Nov 2/3		Bonds: Coupon rate; Interest rate; Yield-to-maturity
4)	Nov 4/5	Quiz 1	Default risk; Yield curve; Forward rate
5)	Nov 12/16		Arbitrage pricing
Quiz 2	Nov 17		
6)	Nov 17/18		Interest rate risk; Duration
7)	Nov 19/23		Forwards/Futures: Payoffs; Counterparty risk; Hedging
Quiz 3	Nov 24		
8)	Nov 24/25		Valuation
9)	Nov 26/30		Options: Payoffs
Quiz 4	Dec 1		
10)	Dec 1/2		Option strategies; Put-call parity
11)	Dec 3/7		Arbitrage bounds; Binomial model
Quiz 5	Dec 8		
12)	Dec 8/9		Review session