

Syllabus

Course title: FINANCIAL MARKETS

Course coordinators: Stefano LOVO, Evren ORS

Other instructors: Valère FOUREL, Mattia GIROTTI, Simon MAYER

Presentation: This course introduces the students to the basics of financial markets and financial instruments traded in these markets. It covers the stock market, the bond market, forward and futures contracts, and options markets. 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: Five review sessions will be held to go over the quizzes and problem sets one more time on Oct 31, Nov 7, 21, 14, 28, Dec 5, from 19:40 to 21:10.

Reference Books: *Finance* by Bodie & Merton (BOD-5 in English or French)
Investments by Bodie, Kane & Marcus (BOD-5-712 in English)

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

- 200 points: A two-hour final exam on paper, taken after the end of lectures.
- 100 points: Four in-class quizzes, taken in the first twelve minutes of class on the BlackBoard platform with the student in the classroom. Only the 3 best quiz grades will count towards the 100 points. There will be no make-up quizzes under any circumstance and you are required to take the quiz with your group in class (taking the quiz from a location

other than your group's assigned classroom will result in a zero-grade for that quiz).

Etiquette & Ethics Please wear a mask if you are ill with any fever, cough, running nose, etc. (this, even if you have tested negative for COVID-19). Class participation is encouraged and welcomed. We remind that cheating of any kind is a serious academic offence that generates an F for the course and the involved students being reported to HEC Paris Disciplinary Council and can result in temporary or permanent expulsion from the school.

Course schedule
(*) = Quiz

Lesson	Date	Chapter	Topics
1)	Oct 24/25	Stocks	Stocks: Dividend Discount Model;PVGO
2)	Oct 26/27		Price-Earnings ratio; Market efficiency
3)	Oct 31/ Nov 03	Bonds	Coupon rate; Interest rate; Yield-to-maturity
4)	Nov 2/ 08(*)		Default risk; Yield curve; Forward rate
5)	Nov 07(*) /10		Arbitrage pricing
6)	Nov 09/15(*)		Interest rate risk; Duration
7)	Nov 14(*)/17	Forwards/Futures	Payoffs; Counterparty risk; Hedging
8)	Nov 16/22(*)		Valuation
9)	Nov 21(*)/24	Options	Payoffs
10)	Nov 23/ 29(*)		Option strategies; Put-call parity
11)	Nov 28(*)/ Dec 01		Arbitrage bounds; Binomial model
12)	Nov 30/ Dec 06		Review session