

Financial Markets

HEC Paris – Fall 2024

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Presentation This course introduces the students to the basics of financial markets and financial instruments traded in them. It covers the common stocks, bonds, forward and futures contracts, and options. An important theme of the course is the concept of arbitrage. The course follows the HEC Paris *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, 10 (ten) in-class quizzes on BlackBoard and a final exam on paper. Attendance of lectures is mandatory.

Material Slides, reader, problem sets, practice quizzes, practice exam, with solutions (all material will be posted on your section/group's BlackBoard page).

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

Review sessions Six face-to-face review sessions will be given by our TA Zijun WANG for students who are having difficulty with the Financial Markets material: he will go over the problem sets. These review sessions will take place on evenings between 19-20:30, in Room T307 on **Oct. 24, Nov. 7, Nov. 14, Nov. 21, Nov. 28, and Dec. 5**

Office hours 1 hour/week on Zoom: details TBA by the professor.

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 highly encouraged and welcomed. Cheating of any kind is a serious academic offense: any breach of academic integrity will generate an automatic F for the course and the involved student(s) will be reported to the school's Disciplinary Council that can statute a temporary or permanent expulsion.

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

- * 220 points: An on-paper final exam (details TBA later)

- * 80 points: Starting with November there will be 10 (ten) in-class quizzes (with 10 points each) to be taken on the BlackBoard platform with the student present in the classroom. The 8 (eight) best quiz grades will count towards the 80 points. There will be no make-up quizzes under any circumstances 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 (0) grade for that quiz). Further information will be given during the first week of classes.

Tentative Course Schedule (subject to change) – Quiz dates and numbers (Q#) in red

1) Oct.21-22	<u>Stocks</u>	Dividend Discount Model & CGDDM, PVGO
2) Oct.23-24		Price-Earnings Ratio, Market Efficiency
3) Nov.04-05 (Q1)	<u>Bonds</u>	Basics & Arbitrage Pricing
4) Nov.06-07 (Q2)		Valuation, Term Structure & Yield Curve
5) Nov.13-14 (Q3)		Forward Interest Rates, Default Risk
6) Nov.18-19 (Q4)		Interest Rate Risk & Duration
7) Nov.20-21 (Q5)	<u>Forwards & Futures</u>	Basics, Payoffs, Counterparty Risk
8) Nov.25-26 (Q6)		Hedging & Speculation, Valuation
9) Nov.27-28 (Q7)		Forward Arbitrage, Commodity Forwards
10) Dec.02-03 (Q8)	<u>Options</u>	Basics, Payoffs
11) Dec.04-05 (Q9)		Option Price Ingredients, Put-Call Parity
12) Dec.09-10 (Q10)		Binomial Option Pricing