



浙江大學

ECON507
Economics of
Financial Markets

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Economics of Financial Markets

Instructor Contact Details

Lecturer-in-charge: TBA

Email: wlwyxy_29@zju.edu.cn

Office location: Huajiachi Campus, Zhejiang University

Consultation Time: to be announced, and by appointment

Teaching Times, Modes and Locations

The Time: TBA

Modes: Online/Face-to-face

Location: Anywhere via online/Huajiachi Campus, Zhejiang University via face-to-face

Academic Level

Undergraduate

Units of Credit

The course is worth 6 units of credit

Credit Hours

The number of credit hours of this course equals to the credits of a standard semester-long Australian university course.

Contact Hours

The course contains a total of 53 contact hours, which consists of orientation, lectures, seminars, quiz, discussion, research, case study, small tests, assignments, on-site field trip(s), in-class and after-class activities, revision and final exam. Students will receive an official transcript which is issued by Zhejiang University when completing this course.

Course Description:

This unit aims to delve into the fundamental economic principles that underlie the pricing and development of financial assets. It explores the delicate balance between risk and return and how investors construct portfolios in response to this trade-off. The primary focus lies on the economics of financial markets, encompassing factors such as demand and supply dynamics, risk and uncertainty management, incomplete contracts and renegotiation, as well as the implications of asymmetric information. Throughout the unit, we will highlight the distinctive features of financial asset markets compared to markets for consumer goods. Additionally, we will examine the evolution of financial institutions and delve into current issues that affect financial markets. Topics include an overview of financial market structure and behavior, risk and the pricing of financial instruments, financial market efficiency and financial market regulation.

Prerequisite:

This course is designed for students with a business background.

Learning Resources

Bailey, R. E. (2005). *The Economics of Financial Markets*. Cambridge University Press. Academic journal articles and handouts on specific topics will be used supplement the textbook and lecture material.

Learning Objectives

By the end of this course you should be able to:

- Understand the fundamentals of asset pricing
- Relate theoretical predictions to stylized asset pricing patterns
- Demonstrate skills in problem solving.

Course Delivery:

- Online Lecture mode includes lectures, seminars, quiz, discussion, research, case study, small tests, assignments, online field trip(s), in-class activities, revision and final exam.
- Face-to-face Lecture mode includes lectures, seminars, quiz, discussion, research, case study, small tests, assignments, on-site field trip(s), in-class and after-class activities, revision and final exam.

The following course will be taught in English. There will also be guest speakers and optional field trips available for students who would like to enhance their learning experience. All courses and others sessions will be run during weekdays.

Topics and Course Schedule:

Topic	Activities
Orientation	
Asset markets and asset prices	Lecture; Tutorial
Predictability of prices and market efficiency	Lecture; Tutorial
Expected utility in asset economy	Lecture; Tutorial
Decision making under uncertainty	Lecture; Tutorial
Portfolio selection: the mean-variance model	Lecture; Tutorial
Seminar	

Portfolios Creating The Optimal Portfolio Selection Criteria	Lecture; Tutorial
Factor models and the arbitrage pricing theory	Lecture; Tutorial
Seminar	
Empirical appraisal of the CAPM and APT	Lecture; Tutorial
Mean-variance approach	Lecture; Tutorial
Option pricing	Lecture; Tutorial
Bond markets and fixed-interest securities	Lecture; Tutorial
Futures markets	Lecture; Tutorial
Options markets	Lecture; Tutorial
Revision	
Final exam	

Assessments:

Class participation	15%
Class works	15%
Case study	20%
Final exam	50%

Grade Descriptors:

HD	High Distinction	85-100
D	Distinction	75-84
Cr	Credit	65-74
P	Pass	50-64
F	Fail	0-49

High Distinction 85-100

Treatment of material evidences an advanced synthesis of ideas

Demonstration of initiative, complex understanding and analysis

Work is well-written and stylistically sophisticated, including appropriate referencing, clarity, and some creativity where appropriate

All criteria addressed to a high level

Distinction 75-84

Treatment of material evidences an advanced understanding of ideas

Demonstration of initiative, complex understanding and analysis

Work is well-written and stylistically strong

All criteria addressed strongly

Credit 65-74

Treatment of material displays a good understanding of ideas

Work is well-written and stylistically sound, with a minimum of syntactical errors

All criteria addressed clearly

Pass 50-64

Treatment of material indicates a satisfactory understanding of ideas

Work is adequately written, with some syntactical errors

Most criteria addressed adequately

Fail 0-49

Treatment of ideas indicates an inadequate understanding of ideas

Written style inappropriate to task; major problems with expression

Most criteria not clearly or adequately addressed

Academic Integrity

Students are expected to uphold the university's academic honesty principles which are an integral part of the university's core values and principles. If a student fails to observe the acceptable standards of academic honesty, they could attract penalties and even disqualification from the course in more serious circumstances. Students are responsible for knowing and observing accepted principles of research, writing and any other task which they are required to complete.

Academic dishonesty or cheating includes acts of plagiarism, misrepresentation, fabrication, failure to reference materials used properly and forgery. These may include, but are not limited to: claiming the work of others as your own, deliberately applying false and inaccurate information, copying the work of others in part or whole, allowing others in the course to copy your work in part or whole, failing to appropriately acknowledge the work of other scholars/authors through acceptable referencing standards, purchasing papers or writing papers for other students and submitting the same paper twice for the same subject.

This Academic Integrity policy applies to all students of the Zhejiang University in all programmes of study, including non-graduating students. It is to reinforce the University's commitment to maintain integrity and honesty in all academic activities of the University community.

Policy

- The foundation of good academic work is honesty. Maintaining academic integrity upholds the standards of the University.
- The responsibility for maintaining integrity in all the activities of the academic community lies with the students as well as the faculty and the University. Everyone in this community must work together to ensure that the values of truth, trust and justice are upheld.
- Academic dishonesty affects the University's reputation and devalues the degrees offered.
- The University will impose serious penalties on students who are found to have violated this Policy. The following penalties may be imposed:
 - Expulsion;
 - Suspension;

- Zero mark/fail grade;
- Marking down;
- Re-doing/re-submitting of assignments or reports; and
- Verbal or written warning.

