

EF4823: FINANCIAL ECONOMICS

Effective Term

Semester A 2024/25

Part I Course Overview

Course Title

Financial Economics

Subject Code

EF - Economics and Finance

Course Number

4823

Academic Unit

Economics and Finance (EF)

College/School

College of Business (CB)

Course Duration

One Semester

Credit Units

3

Level

B1, B2, B3, B4 - Bachelor's Degree

Medium of Instruction

English

Medium of Assessment

English

Prerequisites

MS3601 Optimization Methods AND
EF4822 Financial Econometrics

Precursors

Nil

Equivalent Courses

Nil

Exclusive Courses

Nil

Part II Course Details

Abstract

The objective of the course is to present both theoretical issues and material of practical value in financial economics and to develop students' analytical skills and economic sense of the financial markets through lectures, problem assignments, reading assignments, projects and discussions.

Course Intended Learning Outcomes (CILOs)

CILOs	Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Describe the concept of the stochastic discount factor, the Euler pricing restrictions and their relation to traditional portfolio analysis	x	x	x
2	Explain fundamental asset pricing models such as the CAPM and consumption CAPM in detail		x	x
3	Demonstrate the testing of asset pricing models with the use of cross sectional regressions		x	x

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Learning and Teaching Activities (LTAs)

LTAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	Students will engage in lecture and to think critically and logically by responding to questions and solving the problems.	1, 2, 3
2	Peer Discussion	Students will engage in structured discussion with peers to identify areas to improve on in their returned assessment tasks.	1, 2, 3

Assessment Tasks / Activities (ATs)

ATs	CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	Assignments	1, 2, 3	40
2	Projects	1, 2, 3	20

Continuous Assessment (%)

60

Examination (%)

40

Examination Duration (Hours)

3

Assessment Rubrics (AR)**Assessment Task**

Coursework and Examination

Excellent (A+, A, A-)

Demonstrate very strong knowledge in the subject, and a superior grasp of the critical issue and techniques

Good (B+, B, B-)

Demonstrate good knowledge in the subject, and a good grasp of the critical issue and techniques

Fair (C+, C, C-)

Demonstrate adequate knowledge in the subject, and adequate grasp of the critical issue and techniques

Marginal (D)

Demonstrate limited knowledge in the subject, and some idea of the critical issue and techniques

Failure (F)

Demonstrate very little knowledge in the subject, and no awareness of the critical issue and techniques

Part III Other Information

Keyword Syllabus

1. Capital Markets, Asset Pricing, Stochastic Discount Factor, Optimal Portfolio, Mean-
2. Variance analysis, Cross sectional regression, Euler restrictions, GMM, CAPM,
3. Consumption CAPM, Conditional CAPM, Conditional consumption CAPM, ICAPM,
4. Human capital, Evaluation of asset pricing models

Reading List**Compulsory Readings**

Title	
1	John H. Cochrane, Asset Pricing, Revised ed., Princeton
2	Kerry Back, Asset Pricing and Portfolio Choice Theory, Princeton

Additional Readings

Title	
1	Nil