

FIN 411 -- Investments

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The required text for the course is:

Bodie, Kane & Marcus, *Investments*, (3rd ed.), Irwin, 1996

The book:

Chew, *The New Corporate Finance: Where Theory Meets Practice*

is back-ordered by the bookstore.

Recommended readings from:
Brealey & Myers

Grading

Your grade will be based on:

- eight quizzes (10 points each), for a maximum of 60 points
 - (throw out the worst two)

- four cases (each about 10%) and

- class participation (at the margin)

More on Grading

Copies of old exam questions will be distributed in class and used for some of the quizzes.

Case assignments will involve computer analysis of actual security prices

- Stocks, bonds, options, futures & mutual funds

Major Topics Covered in FIN 411

Statistical Properties of Stock Returns

Efficient Capital Markets

Bond Markets & Interest Rates

Pricing of Options & Futures

Diversification & Efficient Portfolios

Capital Asset Pricing Model: Theory & Tests

Portfolio Evaluation & Management

Statistical Properties of Stock Returns

Time series behavior of returns & volatility

Cross-sectional behavior of returns & risk

Efficient Capital Markets

Serial Dependence in Stock Price Changes
& Trading Rules

Response of Security Prices to Information
and Events

Bond Markets & Interest Rates

Term structure of interest rates
• spot & forward rates

Real & nominal interest rates

Relation to asset returns

Pricing of Options & Futures

Black-Scholes model for put & call options
• Empirical evidence/implied volatility

Futures & forward pricing relations

Portfolio insurance

Program trading

Portfolio Selection - Diversification & Efficient Portfolios

Mean-variance efficient portfolios of assets

• using historical data to choose portfolio weights

• implications for individual asset allocations

• personal financial planning

The Capital Asset Pricing Model: Theory & Tests

Extensions of the Sharpe-Lintner model

Estimates of risk-return relations

- Why is the CAPM wrong?
- What happens if we use the wrong "market" portfolio?

Implications for using the CAPM

- capital budgeting
- evaluation of portfolio performance

Portfolio Evaluation & Management

Security selection

Market Timing

Mutual Fund performance