FIN 411 -- Investments

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The required text for the course is:


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