Enquire Teaching Timetable

Return

Course Outcome

ECON 3420 - Financial Economics

Learning Outcome

1. Understand the factors determining asset prices in equilibrium.
2. Appreciate the arguments and evidence for and against the efficient market hypothesis.
3. Gain insights on various aspects of corporate financial decisions, such as capital structure, loan contracts, mergers and acquisitions, and corporate governance.
4. Have a sense of the language and operations of financial professionals, and the activities of the Hong Kong Stock Exchange.
5. Improve in writing and verbal communication skills.

Course Syllabus

1. Intertemporal Consumption Allocation, Separation Theorem and NPV Rule
2. Mean-Variance Analysis and Optimal Portfolio Choice
3. Capital Asset Pricing Model and Applications
4. Efficient Market Hypothesis – the theory, Volatility Tests, Limited Arbitrage Theory
5. Empirical Studies of Price Series, Limited Arbitrage Evidence
6. Mutual Fund Returns, Investment Strategies, IPO Underperformance
7. Modigliani-Miller Theorem and its Implications, Corporate Finance
8. Loan Financing – an efficient contract perspective
9. Mergers and Acquisitions – motivations, gainers and losers, evidence
10. Corporate Governance, Owner-Manager Separation, Large Shareholder- Small Shareholder Separation

Assessment Type

	Assessment Type	Current Percent
1	Essays	10
2	Essay test or exam	50
3	Others	15
4	Presentation	25

Feedback for Evaluation

Course and teaching evaluation at end of course
Informal feedback channels throughout the course (face-to-face, email, WebCT)
Departmental Retreat
Programme Review

Required Readings

Copeland, Thomas and Fred Weston (1988), Financial Theory and Corporate Policy, Third Edition, Addison Wesley.

Recommended Readings

Rubinstein, Mark (2002) “Markowitz’s “Portfolio Selection”: A Fifty-Year Retrospective” Jounral of Finance, Vol 57 No.3, p. 1041-1045.
LeRoy, S. (1989) "Efficient Capital Markets and Martingales" Journal of Economic Literature, Vol.27 December, p.1583-1621.
Shiller, Robert (1981) "Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends?" American Economic Review, Vol.71 June, p.421-36.
Fama,Eugene and K.French (1988) "Permanent and Temporary Components of Stock Prices," Journal of Political Economy, Vol.96, p.242-73.
Malkiel, Burton(1995) "Returns from Investing in Equity Mutual Funds 1971 to 1991" Journal of Finance, Vol.50 No.2, p.549-72.
Lakonishok, Josef, Andrei Shleifer and Robert Vishny (1994) "Contrarian Investment, Extrapolation, and Risk" Journal of Finance, Vol.49, p.1541-1578.
Mitchell, Mark; Todd Pulvino, and Erik Stafford (2002) “Limited Arbitrage in Equity Markets” Journal of Finance, Vol 57 No.2, p.551-584.
Loughran, Tim and Jay R. Ritter (1997) “The Operating Performance of Firms Conducting Seasoned Equity Offerings”, Journal of Finance, Vol.52, p.1823-1850
Holmstrom, Bengt and Jean Tirole (1997) “Financial Intermediation, Loanable Funds and the Real Sector” Quarterly Journal of Economics, Vol.112, p.663-692
Fama, Eugene, and Kenneth French (1998) “Taxes, Financing Decisions, and Firm Value” Journal of Finance, Vol.53 No.3, p.819-843
Matsusaka, Copeland, Thomas and Fred Weston (1988), Financial Theory and Corporate Policy, Third Edition, Addison Wesley.
John (1993) "Takeover Motives During the Conglomerate Merger Wave" Rand Journal of Economics, Vol.24 No.3 Autumn, p.357-79.
La Porta, Rafael, Florencio Lopez-De-Silanes and Andrei Shleifer (1999) “Corporate Ownership Around the World”, Journal of Finance, Vol 54, no.2 April p.487-517
Shleifer, Andrei and Robert Vishny (1997) “A Survey of Corporate Governance”, Journal of Finance, Vol.52 No.2, p.737-783
La Porta, Rafael; Florencio Lopez-De-Silanes, Andrei Shleifer, and Robert Vishny (2002) “Investor Protection and Corporate Valuation”, Journal of Finance, Vol 57 No.3, p.1147-1170.