NATIONAL TAIWAN UNIVERSITY
Department of International Business

Investments

Associate Professor Jr-Yan Wang **Fall 2016**
Room 102, Building 1, College of Management **Thursday 9:10-12:10**
jryanwang@ntu.edu.tw **02-33664987**

COURSE DESCRIPTION

An investment is the current commitment of money or other resources in exchange for future benefits, i.e., you sacrifice something of value now and expect to benefit from that sacrifice later. In theory, the rate of return and the degree of risk you bear from the investment are the two major factors to influence investment decisions. Students who take this course will learn how to estimate the rate of return and the degree of risk for financial securities or portfolios and thus make investment decisions.

More specifically, the course objectives include 1) to understand the characteristics of various **financial instruments;** 2) to know **trading mechanisms** for financial instruments in different **securities markets;** 3) to learn the **security valuation methods** (e.g., DCF, CAPM, APT, macroeconomic or financial statement analysis, Black-Scholes option pricing formula, etc.) and how to identify over- or under-valued securities; 4) to analyze the **market efficiency** and thus adopt appropriate **trading strategies** (i.e., EMH and fundamental and technical analysis); 5) to apply the principle of the **portfolio theory** to construct your risk-diversified portfolios.

Understanding the content of this course not only give you a sense to manage your wealth in the future but also build a solid foundation for more advanced courses in the finance field.

VERSUS FINANCIAL MANAGEMENT

Some content of this course is similar to that in Financial Management because both courses discuss the financial markets, financial instruments, the valuation of debt and stock, etc. However, the major difference between these two courses is the different viewpoints they stand for. In **Financial Management**, we study financial and investing decisions for **firms** (more specifically, focusing on how firms invest

projects and how they raise the money to pay for these investments), but in **Investments**, we study investment-related knowledge and decisions for **investors**. In addition, the capital structure and dividend policy are exclusively introduced in Financial Management, but Investments pays more attention on portfolio management, security analyses, and trading strategies. After all, some basic tools, like DCF or IRR, are usually introduced in Financial Management but not in Investments, so the suggested sequence is to learn Financial Management first and then Investments.

TEXT AND LECTURE NOTES

Lecture Notes: http://homepage.ntu.edu.tw/~jryanwang/ → Course Information → Investments (undergraduate level)

(The modified PowerPoint files for each week lecture are available after 9:00 p.m. every Wednesday.)

(DO NOT access CEIBA for the syllabus and lecture notes.)

Required Text: Essentials of Investments, by Bodie, Kane, and Marcus, 2016, 10th ed.

(The representative bookstore of this book in Taiwan is 華泰文化. If you decide to purchase the text book together, you can contact Mr. 劉朝棟 via (02) 2162-1217 ext. 113.)

EXAMS AND GRADINGS

Midterm Exam 50% (on Nov. 10th) Final Exam 50% (on Jan 12th)

※ The exam dates are regulated by NTU. Please ensure that you will be available to attend these two exams before you decide to take this course.

※ If you cannot attend the exams due to other reasons, you need to notify me in advance and show me the evidence, e.g., a medical diagnosis. Any late notification is not acceptable.

※ The range for each exam depends on the speed of my lecture. On average, I will teach one chapter in a three-hour lecture. The range is not accumulative for the final exam.

※ The format of both exams: 30% for term explanation and 70% for calculation problems. Most calculation problems are collected from the quizzes and questions at the end of each chapter in the required text with minor

modifications.

※ Students should prepare your personal calculators for the two exams. Scientific or Financial calculators are allowed, but the memorizing function of calculators is forbidden to use.

※ To maintain the fairness in the class, there are no make-up exams or other alternatives for the two exams. I will ignore all e-mails asking for any alternative way to make up your grades.

※ The rule of ALTERNATE SEATING is enforced. Any dishonesty in the exams will lead to a failed result.

※ I will curve your final grades such that the average of the grades in this class is comparable to other classes offered by College of Management of NTU.

RULES IN CLASS

※ DO NOT DISTRACT other students from listening to my lecture, e.g., do not chat with other students when I am talking.

※ If you have any questions during my lecture, feel FREE to INTERRUPT me by raising your hand.

COURSE OUTLINE

Week	Date	Topic	Reading
1	Sept. 15	Moon Festival (no lecture)	
2	Sept. 22	Introduction of Investments Investments: Background and Issues	Syllabus Ch.1
3	Sept. 29	Investments: Background and Issues	Ch. 1
4	Oct. 6	Asset Classes and Financial Instruments	Ch. 2
5	Oct. 13	Securities Markets	Ch. 3
6	Oct. 20	Attend international conference (no lecture)	
7	Oct. 27	Mutual Funds and Other Investment Companies	Ch. 4
8	Nov. 3	Risk and Return: Past and Prologue	Ch. 5
9	Nov. 10	MIDTERM EXAM	
10	Nov. 17	Efficient Diversification	Ch. 6
11	Nov. 24	Capital Asset Pricing and Arbitrage Pricing Theory	Ch. 7
12	Dec. 1	The Efficient Market Hypothesis	Ch. 8
13	Dec. 8	Behavioral Finance and Technical Analysis	Ch. 9
14	Dec. 15	Bond Prices and Yields	Ch. 10

15	Dec. 22	Managing Bond Portfolios	Ch. 11
16	Dec. 29	Equity Valuation	Ch. 13
17	Jan. 5	Macroeconomic and Industry Analysis	Ch. 12
18	Jan. 12	FINAL EXAM	

※ Note that the above schedule is an estimated version, I will dynamically adjust the speed of my lecture according to the feedback of students.

OFFICE HOURS

Wednesday 15:30-16:30 and Thursday 15:30-16:30

Room 513, Building 2, College of Management

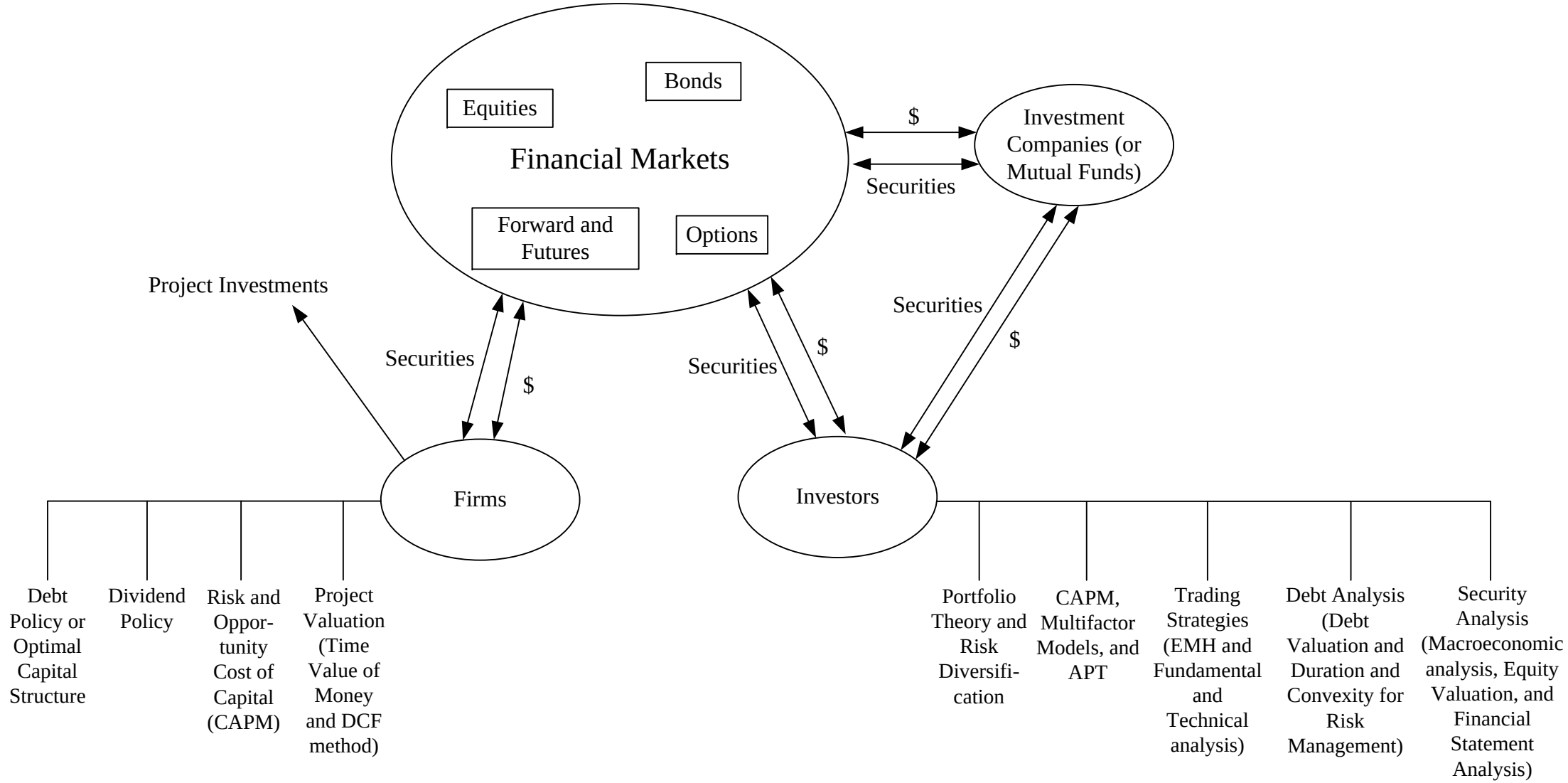
※ It is not suggested to ask academic questions in e-mails. The face-to-face communication is the best way to make me understand your questions and give you the most accurate instruction to solve your problems.

※ If you have difficulties in solving the quizzes or questions at the end of each chapter, please ask the teaching assistant first. It is preferred to make an appointment with the teaching assistant rather than ask her questions in e-mails.

※ Try to fully utilize my office hours before making an individual appointment.

TEACHING ASSISTANT

王筱娟 d00723003@ntu.edu.tw


Financial Markets
Equities
Bonds
Forward and Futures
Options
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Securities
Investment Companies (or Mutual Funds)
Project Investments
Securities
$
Securities
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Securities
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Firms
Investors
Debt Policy or Optimal Capital Structure
Dividend Policy
Risk and Oppor-tunity Cost of Capital (CAPM)
Project Valuation (Time Value of Money and DCF method)
Portfolio Theory and Risk Diversifi-cation
CAPM, Multifactor Models, and APT
Trading Strategies (EMH and Fundamental and Technical analysis)
Debt Analysis (Debt Valuation and Duration and Convexity for Risk Management)
Security Analysis (Macroeconomic analysis, Equity Valuation, and Financial Statement Analysis)