

**Investment Banking**  
**Spring 2019**

**Tues. 2:20 -5:20 p.m.**

Room 103, Building 1, COM

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**Course Objectives**

1. To introduce the fundamental concepts and the systems of investment banking in the U.S., the U.K., and the Japan.
2. To discuss the essentials of investment banking, which include investment banking activities, equity and debt underwriting, secondary market making, market making by financial engineering, corporate restructuring, etc.,.
3. To apply financial theory, including capital budgeting, optimal capital structure, optimal dividend policy, prospect theory, CAPM, APT, OPM, GARCH, GARCH option pricing, GARCH value at risk, on investment banking.
4. To develop customized trading strategies, based upon state variables and MIT approach to beat the market.

**Class Structure**

The class notes and required textbook are the foundation of this course.

**Exams**

A comprehensive final examination is required in this course. Class participation is, among other things, a very important factor in your final grading.

**Required Textbook**

Investment Banking, by Yong-chern Su, Second Chinese edition, 2009, Shinlou.

<b>Date</b>	<b>Topics and References</b>
2/19	Introduction
2/26	Investment Banking Activities 莊子齊物論, Intertemporal consumption model
3/5	Investment Banking Activities Capitalism
3/12	Investment Banking Activities Optimal capital structure
3/19	Investment Banking Activities Optimal dividend policy

- 3/26 Investment Banking Industry  
Main stream finance, Risk measurements
- 4/2 Spring Break
- 4/9 Investment Banking Industry  
General equilibrium: CAPM and APT
- 4/16 Primary Market Making --- equity underwriting  
VC Time machine, Strategic investing theory
- 4/23 Primary Market Making --- equity underwriting  
Investment bank reputation theory
- 4/30 Primary Market Making --- debt underwriting  
Term structure theory, Call equity parity
- 5/7 Primary Market Making --- debt underwriting  
Duration and Bond management
- 5/14 Secondary Market Making  
Stock Return Galaxy,  
Time domain: Chaos, Time series, GARCH and MIT approach  
Space domain: State variable approach  
Rational vs. Animal spirit
- 5/21 Secondary Market Making  
GARCH Value at Risk, Spatial arbitrage system
- 5/28 Market Making by Financial Engineering  
BS option pricing model vs. GARCH option pricing theory
- 6/4 Corporate Restructuring  
Fisher separation theory
- 6/11 Corporate Restructuring
- 6/18 Final Examination