

NATIONAL TAIWAN UNIVERSITY
Department of International Business
Investments

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Fall 2010
Tuesday 14:20-17:20
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. For making investment decisions, you need to have the background knowledge of the organization of various securities markets and financial instruments, to know the valuation method for financial instruments (e.g., Macroeconomic or Financial Statement Analysis, DCF, CAPM, APT, Black-Sholes option pricing formula, etc.), to analyze the market efficiency and design trading strategies (i.e., EMH and Fundamental and Technical Analysis), and to understand the principles of portfolio construction (e.g., Portfolio Theory and Risk Diversification). 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 viewpoint they stand for. In Financial Management, we study the decision for a firm (more specifically, focusing on how firms invest projects and how they raise the money to pay for these investments), but in Investments, we study the decision for an investor. In addition, the debt policy (capital structure) and dividend policy is exclusive in Financial Management, but Investments puts more focus on the portfolio management, the security analysis, 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 READINGS

Required: Essentials of Investment, by Bodie, Kane, and Marcus, 2010, 8th ed.

PowerPoint: <http://www.management.ntu.edu.tw/~jywang/> → Course Information

→ Investments (undergraduate level)

OFFICE HOUR

Room 513, Building 2, College of Management

Friday 13:00-15:00 or after class or by appointment

EXAMS AND GRADINGS

Midterm Exam 45% (after Ch7)

Final Exam 45% (in the final exam week regulated by NTU)

Class Participation 10%

COURSE OUTLINE

1. Elements of Investments (Chapters 1-4)
 - Introduction
 - Financial Instruments
 - Securities Markets
 - Investment Companies
2. Portfolio Theory (Chapters 5-9)
 - Asset Allocation–Efficient Frontier
 - CAPM, Factor Models, and APT
 - Efficient Market Hypothesis, Behavioral Finance, and Technical Analysis
3. Debt Securities (Chapters 10-11)
 - Bond Valuation
 - Managing Bond Portfolios

4. Securities Analysis (Chapters 12-14)

- Macroeconomic Analysis
- Equity Valuation
- Financial Statement Analysis

TEACHING ASSISTANT

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