Today’s Class:

- Practical Information about the class
  (see also the syllabus)

- First topic of the class: financial instruments

Exciting Course: Nobel-Prize-Winning Insights

- Harry Markowitz: Optimal portfolio selection
  - Diversification

- William Sharpe: Capital Asset Pricing Model (CAPM)
  - Risk and return

- Robert Merton, Myron Scholes
  - Option pricing and no arbitrage
The Course Outline
- Financial Instruments and Markets
- Time Value of Money
- Portfolio Selection
- Equilibrium Asset Pricing: The Capital Asset Pricing Model
- Equity Valuation
- Arbitrage
- Fixed Income Securities (Bonds)
- Derivative Securities (Options)
- Market Efficiency and Anomalies
- NYSE visit

Prerequisites
- Finance - the course is self-contained
- The course is heavily quantitative:
  - Algebra and Statistics – (class + problems)
  - Calculator
  - Use of spreadsheets (core enhancement)

Classroom Behavior
- Respect classmates’ desire to learn
- Class participation is encouraged
- Questions are encouraged
- The class starts on time
- Turn off cell phones and other devices
- Getting to know you
Professor Orly Sade

Blackboard
- Blackboard
- Has information about:
  - Class material, problems, and solutions
  - TA office hours
  - My office hours
  - Announcements
- Please check it regularly

Grading
- Homework: 15%
- Midterm: 30%
- Core enhancement: 10%
- Final: 45% (cumulative)

Problems
- Solving problems is crucial to learning the material.
- 10 graded problem sets
  - You may discuss the problems in groups.
  - Turn in your own handwritten solutions.
  - Show how you get your result.
  - Good-faith effort to answer all questions.
  - Late problem sets are not accepted.
  - Full score if you get credit on 9 out of 10
- Suggested problems from the books
- Challenging problems
Readings

- Bodie, Kane and Marcus “Essentials of Investments.”
- “Solutions Manual for Essentials of Investments.”
- RR versus SR

Coming Attraction:

- Financial Instruments