



Financial Markets - 2024/2025

1. Professor

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2. Learning Goals

The course aims to introduce students to financial markets, their function, working mechanisms, agents and traded instruments. Afterwards, the theory of the efficient portfolio management will be introduced, as well as equilibrium models for optimal portfolio management. Then, the hypothesis of efficient markets and performance evaluation is introduced. Finally, behavioural and ethical issues are assessed.

3. Syllabus

1. Introduction to Investments and Markets

- 1.1. The economic theory of choice
- 1.2. Financial Securities
- 1.3. Financial Markets

2. Portfolio Analysis

- 2.1. Mean Variance Portfolio Theory
 - 2.1.1. The Characteristics of the Opportunity Set under Risk
 - 2.1.2. Delineating Efficient Portfolios
 - 2.1.3. Techniques for Calculating the Efficient Frontier
- 2.2. Simplifying the Portfolio Selection Process
 - 2.2.1. The Single-Index Model
- 2.3. Selecting the Optimum Portfolio
 - 2.3.1. How to Select among the Portfolios in the Opportunity Set
- 2.4. Estimating Expected Returns
 - 2.4.1. Models of equilibrium in Capital Markets - The Capital Asset Pricing Model (CAPM)
 - 2.4.2. Other Ways to Estimate Expected Returns
- 2.5. Widening the Selection Universe
 - 2.5.1. The International Diversification

- 3. Security Analysis
 - 3.1. Efficiency in financial markets
 - 3.2. The Valuation Process – Common Stocks
 - 3.3. The Valuation Process – Bonds
 - 3.3.1. Interest Rate Theory and the Pricing of Bonds
 - 3.3.2. The Management of Bond Portfolios

4. Evaluation of Portfolio Performance

- 5. Issues in Financial Markets
 - 5.1. Behavioural Finance, Investor Decision Making, and Asset Prices
 - 5.2. Ethics in Finance

4. Teaching Method

Based on a Powerpoint presentation, along with practical implementations in Excel.

5. Evaluation

Final Exam, closed book style (with a formula sheet), including problems to solve and theoretical or multiple choice questions.

6. References

- Boatright, John R. (2014), Ethics in Finance, 3rd edition, Wiley.
- Bodie, Z., Kane, A. and A. Marcus (2021), Investments, 12th edition, McGraw-Hill publications.
- Elton, E., Gruber, M. J., Brown, S. J. e W.N. Goetzmann (2014), Modern Portfolio Theory and Investment Analysis, 9th edition, John Wiley and Sons, Inc, New York.
- Hull, John (2023), "Risk Management and Financial Institutions", 6th Edition, Wiley (sections 14.5 and 14.6).