

Master's in Finance

Course: FUNDAMENTALS OF FINANCIAL ECONOMICS

Syllabus

2025-2026 (Spring Semester)

INSTRUCTOR:

Prof. Dr. Mariya Gubareva: mgubareva@iseg.ulisboa.pt

OFFICE HOURS:

Tuesdays, 18:30

MS Teams or in Person, with previous appointment

CLASSES: 26 Jan 2026 – 29 Apr 2026

S12 – Tuesdays, 09:30-12:30, AF21 (Building Francesinhas 1)

S42 – Wednesdays, 09:30-12:30, AF23 (Building Francesinhas 1)

COURSE OBJECTIVES:

The course unit envisages to provide the students with knowledge of fundamental principles and practical applications of financial economic theory. This course unit is aligned with the Chartered Financial Analyst (CFA®) Program and focused on a set of 8 learning outcome statements (LOS). After accomplishing the course unit, the student should be able to analyze the investment decisions by individuals (LOS1) and financing & investing decisions by firms (LOS2), and the impact of these decisions on the prices of financial assets (LOS3). The student also should be able to evaluate a country's current macroeconomic environment (LOS4) as well as to forecast its future macroeconomic conditions (LOS5) and the role of financial and monetary authorities in determination of financial economic aggregates (LOS6). In addition, the student should be capable to assess the economic influence of international trade, capital flows, and geopolitics on financial assets (LOS7). Finally, yet importantly, the student should be sufficiently well prepared for the Economics Chapter of the CFA Level I Exam, CFA Program to begin earning the CFA credential (LOS8).

COURSE DESCRIPTION:

The course starts with the discussion of why financial economics matters and how financial economics works. After that we introduce different approaches used in financial economic analysis, namely microeconomics, macroeconomics, and international perspectives.

Then, we address the microeconomic foundations providing a theoretical framework for analyzing the economic behavior of individuals and firms. With this purpose we introduce the consumer choice and utility theory in order to be able to analyze the financial decisions by individuals. Then we present the production theory enabling to examine the financing and investment decisions by firm managers. After that we study the monetary impacts of the interactions of individuals and firms, as well as their influence on the prices of financial assets.

After that we discuss the macroeconomic aspects of financial economic analysis of business cycles, national income, economic growth, inflation, the monetary system, employment, and the role of monetary and fiscal policies.

Then we switch to the study of the interrelationship of exchange rates, international trade, and flows of financial capital between economies. We explain how decisions by consumers, firms, and authorities affect the prices in the international economic landscape. We describe the balance of payments account, define the currency exchange rate, introduce the geopolitical factors, and overview the functions of the foreign exchange market and its participants.

The course unit concludes with the discussion of the current research agenda and future trends in Financial Economics field.

COURSE OUTLINE:

1. Introduction

- 1.1. Why Financial Economics Matters
- 1.2. How Financial Economics Works
- 1.3. Different Approaches to Financial Economics

2. Microeconomic Foundations

- 2.1. Consumer Financial Decisions
- 2.2. Creating Wealth by Investing in Productive Opportunities
- 2.3. How Investors Value Firms
- 2.4. Firm Financing Decisions
- 2.5. Firm Investment Decisions
- 2.6. Beyond the Perfect Capital Market

3. Macroeconomic Perspectives

- 3.1. Short-run Fluctuations versus Long-run Growth Standpoints
- 3.2. Understanding Business Cycles

3.3. Monetary and Fiscal Policies

3.4. Economic Growth and the Investment Decision

4. International Perspectives

4.1. International Trade and Capital Flows

4.2. Currency Exchange Rates: Determination and Forecasting

4.3. Geopolitics: Factors and Tools

5. Moving Forward

5.1. Roadmap for the Research Agenda in Financial Economics

5.2. Concluding Remarks and Wrapping-Up

BIBLIOGRAPHY:

- Gubareva, M. (2026), *Fundamentals of Financial Economics: pedagogical guidance*, ISEG.
- CFA Program Curriculum (2025), *Economics*, Level I, Volume 2, Wiley.
- CFA Program Curriculum (2025), *Economics*, Level II, Volume 2, Wiley.
- Mishkin, F. (2022), *The Economics of Money, Banking, and Financial Markets*, 13th ed., Pearson.
- Piros, C. and Pinto, J. (2013), *Economics for Investment Decision Makers, Micro, Macro, and International Economics*, CFA, Wiley.
- Fabozzi, F., Neave, E., and Zhou, G. (2012) *Financial Economics*, Wiley.

GRADING SYSTEM:

Students are assessed under mandatory continuous evaluation.

- In the **Continuous Evaluation System (CES)**, the grading elements are:
 - **Participation in classes and 2 Quizzes solving** (40% of final grade).
 - **Final Exam Test** (60% of final grade).

The Final Grade of the CES will be the weighted average of the 2 elements (participation in classes & quizzes and final exam test).

Continuous Evaluation is mandatory for the **first sitting grading** since there will be no final exam.

- In the **Exam Evaluation System, based on solely one exam:**
are admitted students who fail in the CES or enrol to improve the grade.
 - The only grading element is a second sitting exam, which accounts for 100% final grade.

EVALUATION DATES:

- Quiz 1:
S12 – March 17, 2026, 09:30
S42 – March 18, 2026, 09:30
- Quiz 2:
S12 – April 14, 2026, 09:30
S42 – April 15, 2026, 09:30
- Final Exam Test:
S12 – April 28, 2026, 09:30
S42 – April 29, 2026, 09:30
- Second Sitting Exam:
June 02, 2026, 09:00