Lectures: Wednesday, 3:05-5:35pm
Location: 
Professor: Jia Li

Office Hours: Tuesday, 3:00-5:00pm, Social Sciences 237

Emails:
Jia Li: jl410@duke.edu

Required Readings

- Zvi Bodie, Alex Kane, and Alan J. Marcus (BKM), Investments, the 9th edition, Irwin/McGraw-Hill. There is one copy available at the Perkins library reserved for this course.
- Lecture notes will be posted on Sakai.

Grading

The course grade will be based on homework, the mid-term exam, and the final exam.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tr>
<td>In-class Mid-Term (Feb. 20)</td>
<td>20 percent</td>
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<tr>
<td>Homework</td>
<td>20 Percent</td>
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<tr>
<td>Final</td>
<td>60 percent</td>
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Schedule

No Arbitrage Models

Topic 1  Introduction to Class and Net Present Value

Read about institutions, instruments and markets, BKM 1-5.

• BKM, Chapters 1, 2, 3, 4, 5

Topic 2  Derivative Securities

• BKM, Chapters 20, 21, 22

Topic 3  The Bond Market

• BKM, Chapter 14

Topic 4  The Term Structure of Interest Rates

• BKM, Chapters 15, 16

Risk-Sharing Models

Topic 5  Risk Aversion and Portfolio Theory

• BKM, Chapters 6, 7, 8

Topic 6  Capital Asset Pricing Model

• BKM, Chapters 9

Topic 7  Analysis of Financial Statements

• BKM, Chapter 19

Topic 8  Use of Present Value Techniques in Finance; Intrinsic-Value Methods of Stock Valuation: Technical vs. Fundamental Analysis

• BKM, Chapter 18

Speculation Models
Topic 9  Market Efficiency
  •  BKM, Chapter 11
    *Journal of Finance* 40, 633-635. (Blackboard)

Topic 10  Limits of Arbitrage
  •  BKM, Chapters 10, 12, 24
  •  Eugene F. Fama and Kenneth R. French, “The Cross-Section of  
    Expected Stock Returns,” *Journal of Finance*, vol. 47, no. 2,  
    June 1992, pp. 427-465 (Sakai)

Topic 11  Low Risk, High Return Puzzle
  •  Malcolm Baker, Brendan Bradley, and Jeffrey Wurgler,  
    Benchmarks as Limits to Arbitrage: Understanding the Low  
    (Blackboard).

There will be a final exam during the examination period.