

SECURITIES ANALYSIS

FIN 6520 – Spring 2015

SYLLABUS

Meeting place and time: Thursday, 6:55PM-9:35PM, SSB 449

CLASS DETAILS:

Professor: Dr. Thomas C. Williams
Email: williamstho@umsl.edu
Phone: 314-516-7185
Office: SSB Tower 1103
Office hours: TBA and by appointment

ALL COURSE RELATED MATERIALS WILL BE POSTED ON MYGATEWAY. YOU MUST LOG INTO <http://MyGateWay.umsl.edu> TO ACCESS FIN 6520 COURSE MATERIALS.

COURSE DESCRIPTION & LEARNING OUTCOMES:

The primary objective in this course is to develop an understanding of the theory and practice of investment analysis. Topics covered include financial asset classes and instruments, risk-return tradeoff, basic equity valuation and analysis, efficient market hypothesis, bond valuation and duration, derivative securities, mutual funds & ETFs. In order to get equipped with the essential skills, we will spend time on the theoretical aspects of valuation as well. The course will integrate lecture, discussion and problem-solving, as the time will be allocated according to the context of the chapter covered. Learning starts with asking the question before finding an answer. So, be prepared to discuss and ask questions regarding the material. Although we will heavily rely on the textbook for the lecture and problems, discussions and test questions related to the in-class discussions will be originated from the articles in the Wall Street Journal and the professional magazines.

PREREQUISITES:

A good grounding in the basic tools for this class is provided in the prerequisites: Financial Management FIN 6500.

REQUIRED MATERIALS:

Securities Analysis, Irwin-McGraw Hill, 2011 ISBN: 1121003451.

The Wall Street Journal (WSJ): Students are responsible for reading the WSJ daily and keeping up with changes in money, banking and financial markets. (See “outside reading”, below).

Students should have a **financial calculator** and should always bring them to class.

OUTSIDE READING:

The Wall Street Journal (WSJ) is an important part of the class, as it describes and discusses many aspects of the U.S. financial system. Students of FIN 6520 are expected to read the WSJ daily, so they can keep current with regard to the changing and evolving financial landscape. Frequently, articles from the WSJ will be used and discussed in the class, and are an important part of the requirements of the course. WSJ material discussed in class will be as much required material as material in the textbook. In addition, quizzes and exams may ask questions relating articles discussed in class.

Grading:

| | |
|--|--------------------|
| StockTrak Group Projects (#2 – 15%, #1, #3, #4 – 10%, #5 – 5%) | 50% |
| Mid-term Exam | 25% |
| <u>Final Exam</u> | <u>25%</u> |
| <u>Total</u> | <u>100%</u> |

All exams and other work will be graded on the following Grading Scale:

| | |
|--------------|---|
| 100-90 | A |
| 89-80 | B |
| 79-70 | C |
| 69-60 | D |
| 59 and below | F |

No student will be provided with opportunities to earn "extra credit" beyond the assignments described.

All students will be graded according to the above scale and thus should not expect a "**curve**" in the class. Everyone will be treated the same under this grading system, so you can save yourself some time and embarrassment by not asking for a grade change if you made an 89.4, for example. **FOR FINAL GRADES, PLUS AND MINUS LETTER GRADES WILL BE GIVEN WHERE APPLICABLE.**

EXAMS (50%):

Exams will be a mixture of **multiple choice**, short answer questions, and work out problems. There will be two exams during the course of the semester. *The final exam is NOT comprehensive.*

Missing an exam:

Unless you have a University approved absence, there will be **no make-up exams**. Valid excuses should be approved prior to the exam missed. Students missing an exam without a valid excuse will be given a zero on that exam. **ALL MAKEUP EXAMS WILL BE A COMBINATION OF SHORT ANSWER AND ESSAY!!!**

TEAMS:

Students will choose their teams which **MUST** be comprised of 2 or a maximum of 3 members. Each team must decide on a team name and constitution. The constitution is a 1 - 2 page document that outlines the rules, goals, expectations and conflict resolution guidelines for the team. Each team will turn in a copy of their constitution. **Members will not be asked to evaluate each others' performance for grading purposes so choose your teams wisely!!! I strongly advise students not to involve me in any team problems; this is what your constitution is for.**

It is my policy that teams do not have to put a student's name on a team assignment if the student did NOT provide any work for a particular assignment. Team assignments will be graded hard since there are multiple students writing and proofreading your team's work. If any part of a team assignment is plagiarized, the entire team will receive a zero on the assignment regardless of whether the plagiarism can be traced to one particular member.

STOCKTRAK PROJECTS (50%):

Students will participate in a group-based investment simulation project. Each group will have two accounts: (1) a trading account; (2) a buy-and-hold account. Each account will have an initial wealth of \$1,000,000 for which you will make investment decisions over a twelve-week trading period. Groups should formulate trading strategies, and conduct research to select securities and execute trades.

The simulation is professionally-managed by Stock-Trak Portfolio Simulations based in Atlanta, GA (www.stocktrak.com). Each team can invest in any NYSE, Nasdaq-AMEX stock (with traded price over \$5), a series of government and corporate bonds, a selection of over 2000 mutual funds and certain stocks trading on stock exchanges around the world, including London, Paris, Frankfurt, Mexico City and Tokyo. You can also review your account activity, class rank as well as background resources for researching stocks, with price quotes and charts.

Trading Account:

One portfolio will be an active “trading” account. The goal of the first portfolio will be to accumulate the most wealth. Each group starts with 300 transactions. You may trade stocks, options, futures, bonds, mutual funds, international stocks. Investment teams can buy on margin and sell securities short.

Over the course of the semester, you must establish a minimum of 3 options positions, 3 futures positions, 1 short sale (of a stock), 1 margin position and a minimum of 40 total transactions (note – do NOT wait until the last week to conduct your options/futures trades.) You must have at least five weeks with at least 3 transactions for the week.

The final will be optional for the team that accumulates the most wealth.

Each group needs to register for account at:

<http://www.stocktrak.com/public/members/registrationstudents.aspx?p=UMSL-FIN6520-FALL14>

Trading will begin on Monday, Feb 2nd and end on Friday, April 24th (12-week trading period.)

Buy-and-Hold Account:

Each group will track a passive stock portfolio (outside of Stocktrak). Each group will pick five stocks. You will have \$1,000,000 to allocate among your 5 stocks. You will track the weekly performance of the portfolio and contrast the buy-and-hold method with the trading approach. Note no one stock can make up more than 50% of your portfolio. Each stock must have been publicly traded for 5 years prior to February 2nd.

For the buy-and-hold stock portfolio, each team’s buy-and-hold stock portfolio that outperforms my portfolio will receive an additional 10 points on the final exam.

HOMEWORK/PRACTICE PROBLEMS:

Between three and five practice problem sets will be given during the semester. These problem sets are designed to prepare you for the exams. I will not collect them for a grade.

ATTENDANCE & PARTICIPATION:

Attendance will not be taken and will not figure directly into determining grades. However, some class time will be spent discussing the Wall Street Journal, current financial market conditions, cases, and presentations; thus students should make every effort to attend class. **I assume that when you are not in class that you are deriving more utility from some other activity. Therefore, don’t ask me “Is there anything that I need to go over?” but rather get brought up to speed by one of your classmates, team members, and/or the announcements and materials on MyGateWay. While attendance is not explicitly part of your grade, your homework and quiz**

grade is certainty related to being in class. You are responsible for all material discussed in class (including the presentations by your peers).

ACADEMIC HONESTY

In all cases of academic dishonesty, for example cheating, plagiarism, or sabotage, the instructor shall make an academic judgment about the student's grade on the work involved. Since this judgment is often a grade of zero, its assignment may result in a failing grade for the course. The complete Campus policy on academic dishonesty may be found under "Student Conduct Code" in the Student Planner or at

http://www.umsl.edu/studentlife/dsa/student_planner/policies/conductcode.htm

CLASSROOM CIVILITY:

Students are expected to assist in maintaining a classroom environment conducive to learning.

To assure that all students have the opportunity to gain from time spent in class, students are prohibited from using cellular phones, making offensive remarks, reading the newspaper, sleeping, or engaging in any other form of distraction, without the permission of the instructor. Inappropriate behavior in the classroom will result in the student being requested to leave the class, at a minimum.

STUDENTS WITH DISABILITIES:

Any student who, because of a disabling condition, may require some special arrangements in order to meet course requirements should **contact me as soon as possible**, to make necessary accommodations. Students should present appropriate verification from Disability Access Services in the 144 Student Center along with the special arrangements required.

CLASS SCHEDULE:

| <i>Date</i> | <i>Topic</i> |
|-------------|--|
| Jan 22 | Introduction, Current Events and Financial Markets |
| Jan 29 | Efficient Markets, Bill Miller Case |
| Feb 5 | Learning About Return and Risk |
| Feb 12 | Asset Classes and Financial Instruments, Intro to Options |
| Feb 19 | Stocktrak #1 Due , How Securities are Traded |
| Feb 26 | Term Structure of Interest Rates |
| Mar 5 | Intro to Regression Analysis |
| Mar 12 | Exam #1 |
| Mar 19 | Stocktrak #2 Due , Optimal Risky Portfolios, Optimization in Solver |
| Mar 26 | Spring Break |
| Apr 2 | CAPM |
| Apr 9 | Stocktrak #3 Due , Multifactor Models |
| Apr 16 | CAPM, APT, and Empirical Evidence, Macroeconomic Variables, |
| Apr 23 | Stocktrak #4 Due , Futures, Forwards, and Options |
| Apr 30 | Options & Swaps |
| May 7 | Stocktrak #5 Due , Review |
| May 14 | FINAL EXAM 7:45 – 9:45PM |

This Schedule is tentative!!!