Financial Markets & Portfolio Choice

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Course Objectives
This course introduces crucial concepts of investment decision-making, portfolio theory and valuation models of financial assets, especially bonds and common stocks. Students will develop skills and learn tools for analysing and understanding financial markets. The course delivers a critical understanding of choice under uncertainty, portfolio construction, and equilibrium asset pricing (such as the CAPM and APT). The course also emphasizes the asset-pricing relations from first principles, and the consequences if some of the underlying assumptions are relaxed. Valuation models give students an insight and ability to identify overpriced and underpriced securities. Students will gain understanding of empirical testing procedures, and become aware of stylized facts from the empirical finance literature.

Time: Friday 5:00PM-8:00PM; Location: Amphithéatre Bachelard (Sorbonne); First day of the course: 8th, October 2010; Length: 13 courses of three hours; Exam: Two-hour written test (mid January 2011).

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  2.2 Utility Functions
  2.3 Risk Aversion and Attitudes Toward Risks
  2.4 Stochastic Dominance
  2.5 Non-Expected Utility Theory
Part 3. Mean-Variance Portfolio Theory
  3.1 Measuring Risk and Return
  3.2 Asset Allocation with 2 Risky Assets
  3.3 Introducing a Risk Free Asset and the Tobin’s Separation Theorem
  3.4 Asset Allocation with N risky Assets
  3.5 Portfolio Diversification

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Part 6. Portfolio Performance Measures
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  6.2 Main Performance Measures
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Part 7. Market Efficiency
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8.1 Bond Prices and Yields
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8.3 Managing Bond Portfolios

Part 9. Equity Valuation

9.1 Valuations by Comparables
9.2 Intrinsic Value versus Market Price
9.3 Dividend Discount Models and Risk Premiums

Essential References


French References


Dr. Christophe Boucher

Christophe is a Lecturer in Economics and Finance at the University of Paris-1, Economist/Strategist within AAAdvisors-QCG (ABN AMRO) and Senior Partner at Variances. He received a PhD in Economics in 2006 ("Misalignments, Aggregated Returns and Aggregated Volatility"). He has published several comments in newspapers and articles in academic journals such as Economics Letters, Finance, International Journal of Finance, Applied Economics Letters and serves as a referee in several international leading journals. His interest mainly concerns strategic allocation, predictability of returns and volatility, asset pricing and macroeconomics. He received the “Young Economist Award” in 2006 from the European Economic Association.