



## **Econ 435, A01 – Financial Economics** (version: December 17)

**Spring 2026 | CRN 21051 | TWF 10:30 – 11:20 in Hickman Bldg, Room 116**

**UVic Land Acknowledgement:** *We acknowledge and respect the Ləkʷəŋən (Songhees and Esquimalt) Peoples on whose territory the university stands, and the Ləkʷəŋən and WSÁNEĆ Peoples whose historical relationships with the land continue to this day.*

**UVic Land Acknowledgement:** *We acknowledge and respect the Ləkʷəŋən (Songhees and Xwsepsem/Esquimalt) Peoples on whose territory the university stands, and the Ləkʷəŋən and WSÁNEĆ Peoples whose historical relationships with the land continue to this day.*

**Teacher:** Dr. Paul Schure, [schure@uvic.ca](mailto:schure@uvic.ca), office: BEC 336

**Office Hours:** Wednesdays from 11:30 to 12:20pm.

- Or by appointment → Email and **propose three 15-minute slots** for either an in-person meeting or a call through MS Teams. Feel free to invite fellow students to join you.

**Modality:** Almost all classes are face to face and all exams are held in person.

### **Description**

This is a course on asset pricing and financial markets, while Econ 454 focuses on corporate finance. Mastering concepts and models as well as demonstrating knowledge of some institutional detail will matter for successful completion of this class. The models are organized around three pricing principles: arbitrage pricing, present-value pricing, and general-equilibrium-asset pricing. These pricing principles are fairly abstract and the associated models are quite mathematical.

We will cover a lot of material. It is one of the capstone courses of the Finance Option and has been designed to be, and is considered to be, a challenging course. **It requires you to be proactive, rather than reactive**, i.e. a “There are always things you can do” attitude. The course material is best learned by hands-on involvement/active learning. There are two main active-learning components in this course. First, the end-of-chapter questions. [Make sure to work in groups as your fellow students are an important resource! Success on the tests essentially requires that you have selected and done the relevant end-of-chapter questions. I am posting “handouts” for the “tutorial sessions” which help you make the selection.] Secondly, there are two major group assignments, one on portfolio optimization and one involving fundamental analysis.

### **Textbook and Calculator**

The main textbook for this course is Investments, 11th Canadian Edition (2024), by Bodie, Kane, Marcus, Switzer, Boyko, Panasian, and Stapleton, McGraw-Hill, Toronto, ON (“Bodie”). Buy either the physical text or the e-text. [We will **not** be working with “Smartbook”.]

- “Bodie” is the leading advanced undergraduate text in the field. It is designed to be consistent with the Chartered Financial Analysts (CFA) curriculum and also covers material in the Canadian Securities Course (CSC).

There will be other resources, including my own notes, some journal articles, and also, do check out the [fifth edition of “Corporate Finance” by Welch](#), which is freely available on the web.

The **SHARP EL-510** calculator, i.e. one of its many variations. **No other calculators are permitted.**

### **Class attendance and “keeping up”**

Make sure to attend classes as it simply helps, even for most students who believe that they learn better without attending classes. I will monitor class attendance from time to time. The idea is to encourage attendance, to gauge whether you are on track, and to get to know the students better. Yet, attendance will not gain you any marks and missing classes will not cost you any marks (at least not directly). There is no need to let me know if you miss a class. Active participation in class is much appreciated and you'd serve the public good!

Lectures will *not* be recorded, but I will post the lecture slides, either before or after the lectures.<sup>1</sup> I will not re-teach any classes that you may have missed or give anybody any class highlights, even if you missed class for a valid reason. I may still be somewhat more forgiving for students who normally attend classes.

Our classes do not always cover the material comprehensively. You should not infer from this that omitted topics in lectures are not important! For example, I try not to avoid using lecture time on topics that I believe are just as well, or better mastered by self-study. It is your task as a student to figure out what parts of the material are more relevant than others using your common sense and the available resources, including me and the tutorial handouts.

I encourage that students study in groups, be it online, in-person, or a combination. It really helps, and you will have a support group in case you need to miss a class. If you would like me to help you connect up with fellow students, then please email me in the first or second week. I would be happy to try to match you to interested fellow students.

### **Communication**

*Brightspace* is used extensively for the course for readings, announcements, lecture notes, etc. All students are expected to be fully functional with the system and to log in daily or more frequently. Ask questions about content ideally through Brightspace (or Teams, we will figure out what works best soon), so not by email. This way your fellow students benefit from your questions as well.

*MS Teams*. There will also be a Teams site for this class, which you must use for this class. **Ask all non-personal questions through Teams** (i.e. not through email. Example: you will use Teams for questions about the material or scheduling, etc.) You can also reach me in the Teams chat to book an office hour. Any online lectures are taught through Teams.

*Emails*. Use emails only for non-Teams questions, messages, or to book an office hour. Emails (i) must have logical subject headers that start with “Econ 435” and (ii) include your name and student number in the body of the message. The expectation is that correctly-sent emails are answered within 24 hours (both by the student and the teacher). I may miss incorrectly sent emails.

### **Grading**

**Grading scheme.** Your final grade will be determined by:

A Quiz worth 5% [**January 20** in class (on Ch.1-4. Details in Brightspace handout)]

A Portfolio Assignment<sup>2</sup> worth 15% [Due Thu **February 12** (online & in assignment box by BEC 363)]

An Analyst Assignment<sup>2</sup> worth 15% [Due Thu **March 19** (online & in assignment box by BEC 363)]

The Midterm exam, which is worth 25% [**February 25** in class (on Ch. 5, 6, 7, 9, 11, and 12. Details in handout)]. (Students who miss the MT due to a valid excuse write the retake MT just after writing the final exam.)

The Final exam, which is worth 40% [Details in handout. Scheduled by UVic.]

There may (or may not) be one or two occasions, which will allow you to earn a bonus percent. If such occasions happen in our class timeslot, such occasions may not necessarily be announced beforehand

---

<sup>1</sup> The lecture slides are, as I am sure you are aware, a poor substitute for attending classes.

<sup>2</sup> Assignments are done in groups of three or four students. They may be split into components (e.g. earlier parts, in-class presentations, etc), which are due earlier.

### ***Mandatory course components:***

- Compliance matters (communicating timely, organising your MS Teams access, etc)
  - This sounds harsh, but you will get a warning by email if there is a bigger issue.
- Attempting both assignments, and obtaining a 60% grade or higher on one of them
- Attempting the Midterm exam.
- Obtaining a grade of 40% or higher on the Final Exam

Failure to complete any of the mandatory course components will result in a grade of “N” regardless of your cumulative percentage on the course according to the grading scheme above. N is a failing grade and factors into GPA as a value of 0.

### ***Grading Scale:***

A+	90-100%
A	85-89%
A-	80-84%
B+	77-79%
B	73-76%
B-	70-72%
C+	65-69%
C	60-64%
D	50-59%
F or N	0-49%

Students should review the University's more detailed [summary of grading](#).

### **Missing assessments / Accommodation / Concerns / Appeals**

Should students encounter a situation where they miss an exam or cannot submit an assignment at its due date, they may qualify for an academic concession. Students are required to indicate the specific grounds on which they are requesting an academic concession and to provide a justification outlining the impact of the circumstances on their ability to complete course requirements. Consideration for missed examinations may be given on the basis of **a correctly reported, as well as timely reported, valid reason** (valid reasons may include illness, an accident, a family affliction). If you miss any of the tests for a valid reason then I require that you let me know **by the starting time of the test** at the very latest and by **filling in and emailing me this form**. (See “communication” above on how to format emails you send me) In case you miss the final exam, then fill in a **request for a deferral** (please, cc me on the email & please, still complete the deferral form by the start of the final exam at the latest).

**Grading concerns.** Analysing how your answers got graded is very useful! We will likely work with “inspection sessions” where you can review your test and write down any concerns and questions you may have. In any such inspection sessions, you won’t be able to take your test with you, nor copy any content. Should any test be handed back, then review it independently and email me asap in case you have any questions or concerns. Again, I really don’t mind and even appreciate it! But... important messages follow... your feedback/email should make very clear whether you have a question or a concern. Also, any grading concerns should be initiated by you (by email) no later than a week after the tests were returned. After one week your grade is final.

**Appeals.** Depending on the nature of your concern, the order in which you should normally try to resolve the matter is:

1. Me, the course instructor
2. the Associate Chair: [econassoc@uvic.ca](mailto:econassoc@uvic.ca)
3. the Associate Dean of Academic Advising
4. the Senate.

If you are seeking a formal review of an assigned grade, you should also consult the regulations in the academic calendar regarding [review of an assigned grade](#).

### **Academic Integrity**

Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the [Policy on Academic Integrity](#) in the University Calendar, is subject to penalty by the University. The University reserves the right to use a plagiarism software to detect violations of academic integrity. For more information, see this [UVic resource from the UVic libraries](#).

### **Student Code of Conduct**

The Humanities, Science, and Social Sciences Faculties have adopted this [Student code of conduct](#). Please, review.

### **Waitlist Policies**

- Instructors have no discretion to admit waitlisted students or raise the cap on the course.
- Students on the waitlist should discuss with the instructor how to ensure they are not behind with coursework in the event they are admitted.
- Registered students who do not participate as specified in this outline during the first 7 calendar days from the start of the course may be dropped from the course.
- Registered students who decide not to take the course are responsible for dropping the course and are urged to do so promptly out of courtesy toward waitlisted students.
- Waitlist offers cease after the last date for adding courses irrespective of published waitlists.

### **International Student Liason**

The International Student Liason in the Economics Department is Dr. Paul Schure who can help you connect with other international and domestic students in the Department. His email address is [schure@uvic.ca](mailto:schure@uvic.ca). Please, reach out if you are interested.

## University Policies and Statements

Please note that this course is executed in a manner consistent with these UVic statements and policies:

- a. University Calendar - Section "[Information for all students](#)"
- b. [Creating a respectful, inclusive and productive learning environment](#)
- c. [Academic Integrity](#)
- d. [Academic Concession Regulations](#), [Academic Concession and Accommodation](#), Academic Accommodation – [Policy AC1205](#)
- e. [Accommodation of Religious Observance](#)
- f. [Student Conduct](#)
- g. [Non-academic Student Misconduct](#)
- h. [Accessibility](#)
- i. [Diversity / EDI](#)
- j. [Equity statement](#)
- k. [Sexualized Violence Prevention and Response](#)
- l. Discrimination and Harassment [Policy](#)

## Resources for students

- a. [Student wellness](#)
- b. [Centre for Accessible Learning](#) (CAL)
- c. [UVic Learn Anywhere](#). UVic Learn Anywhere is the primary learning resource for students that offers many learning workshops and resources to help students with academics and learning strategies.
- d. [Library](#) resources
- e. Centre for Academic Communication ([CAC](#))
- f. Learning Strategies Program ([LSP](#))
- g. [Academic Advising](#)
- h. Economics Undergraduate Advising: [ecadvice@uvic.ca](mailto:ecadvice@uvic.ca)
- i. [Student Awards and Financial Aid](#)
- j. [International Student Advising](#)
- k. Indigenous student services ([ISS](#))
- l. [Student groups and resources](#) including UVic [Ombudsperson](#)

## Student Experience of Learning (SEL) Survey

I value your feedback on this course. Towards the end of term, you will have the opportunity to complete a confidential SEL survey regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future.

## Course Topics

The lectures generally follow readings from Bodie. Some extra reading material may be announced down the line. The list of topics below is **not** necessarily discussed in the order below in our course. Some parts will be done entirely/primarily by self-study, including Bodie Chapters 1-5, as well as possibly some parts of Bodie Chapters 8, 10, 17.

### INTRODUCTION

#### 1. **Basics / Review** [Bodie Chapters 1-4 & Welch Ch.1 (primarily done by self-study!)]

- Topics include: Real vs. Financial Assets; Taxes; Compound Interest; Real vs. Nominal Rates of Return; Stock Markets, and Stock Listings; Leverage, and Margin Transactions; The return-risk trade-off; plus institutional knowledge about assets, markets, and financial institutions

### GENERAL-EQUILIBRIUM-ASSET PRICING

#### 2. **Risk Aversion, Portfolio Theory and CAPM** [Bodie Chapters 5-7&9 (+ parts of Ch.8 & Ch.13)]

- Review Chapter 5 independently. Chapters 6-7 address Portfolio Choice under Risk Aversion & Optimal Risky Portfolios. Chapter 9 discusses the Capital Asset Pricing Model (CAPM). While Ch.8 is also on Portfolio theory, it has been listed (for good reason) under “arbitrage pricing” below.

#### 3. **Market Efficiency (EMT) and the Limits of Arbitrage (LoA)** [Bodie Chapters 11&12, Grosman and Stiglitz (1980), Zingales (2010), Gromb and Vayanos (2010)]

- Strong, Semi-Strong, and Weak Forms of the EMT, Innovations in Information and Prices, Random Walks.
- Asset Price Bubbles and the EMT
- Arbitrage and the Limits of Arbitrage
- Behavioral Finance

### PRESENT-VALUE PRICING

#### 4. **Common Stock Valuation** [Bodie Chapters 17&18]

- Some remarks about Chapter 17, on Industrial Organisation
- Fundamental Analysis, Dividend Discount Models

#### 5. **PV Pricing of Fixed-Income Securities** [Bodie Chapter 14]

- Bond Yields and Bond Prices, Mortgages

### ARBITRAGE PRICING (a.k.a. “No-arbitrage pricing”)

#### 6. **Index Models and APT** [Bodie Chapters 8 and 10]

#### 7. **Fixed-Income Securities (cont.)** [Bodie Chapters 15-16]

- The Yield Curve and the Term Structure of Interest Rates
- Duration and the sensitivity of bond prices
- Managing Bond Portfolios

#### 8. **Arbitrage Pricing of Derivative Assets** [Bodie Chapters 20-21]

- Options: characteristics, strategies, pricing

### OTHER TOPICS (if time permits)

#### 9. **Broader perspectives**

- Corporate Social Responsibility and ESG (Kim and Yoon (2022))
- Life as an analyst in a large international bank

# Tentative Course Schedule

(readings and tutorial guides on Brightspace; chapters refer to the main textbook, i.e. Bodie et al.)

Date	Session	Topic & Notes
6-Jan	1	Outline & Course Overview
7-Jan	2	Ch.1
9-Jan	3	Ch.2 tutorial session. Tutorials → Always try the “problem sets” before coming to class.
13-Jan	4	Ch.3 tutorial session.
14-Jan	5	Ch.4 Q&A session. Read Ch.4 before coming to class. Ch.5 brief lecture
16-Jan	6	Quiz Q&A session + Ch.5 tutorial session
20-Jan	7	<b>Quiz</b> Quiz covers Ch.1-4 (for details, see the handout)
21-Jan	8	Ch.6 lecture
23-Jan	9	Ch.6 tutorial session
27-Jan	10	Ch.7 lecture #1
28-Jan	11	Ch.7 lecture #2
30-Jan	12	Ch.7 tutorial session
3-Feb	13	Ch.9 lecture
4-Feb	14	Ch.9 tutorial session. <b>Due date (optional) Portfolio pre-assignment</b> (online).
6-Feb	15	Ch.11 lecture #1
10-Feb	16	Ch.11 lecture #2
11-Feb	17	Ch.11 tutorial session.
12-Feb		<b>Due date Portfolio Assignment</b> (online + in box by BEC363)
13-Feb	18	Ch.12 lecture.
		17, 18 and 20 February: reading break
24-Feb	19	MT Exam Q&A session
25-Feb	20	<b>Midterm exam</b>
27-Feb	21	Ch.18 brief notes & NPV calculations. [Handout “Valn formulae...”]
3-Mar	22	Ch.14 tutorial session
4-Mar	23	Ch.15 lecture #1
6-Mar	24	Ch.15 lecture #2
10-Mar	25	<b>Analyst assignment – Company introduction presentations.</b>
11-Mar	26	Ch.15 tutorial session.
13-Mar	27	Ch.16 lecture.
17-Mar	28	Ch.16 tutorial session
18-Mar	29	Non-synchronous lecture on Topic 9a CSR and ESG [Kim and Yoon (2022)]
19-Mar		<b>Due date Analyst Assignment</b> (online + in box by BEC363)
20-Mar	30	Ch.20 lecture
24-Mar	31	Ch.20 tutorial session
25-Mar	32	Ch.21 lecture
27-Mar	33	Ch.21 tutorial session 1
31-Mar	34	Ch.21 tutorial session 2
01-Apr	35	Ch.21 final exam Q&A

TBC and date TBA: Online guest lecture: Life as an analyst in a large international bank