Commerce 3FB3
Securities Analysis
Fall 2024 Course Outline

Finance and Business Economics Area
DeGroote School of Business
McMaster University

INSTRUCTOR AND CONTACT INFORMATION

Section: C01
Friday 11:30 – 14:30
Instructor
Wei-Ju (Fred) Liao
liaow7@mcmaster.ca
Office Hours: By appointment

Teaching Assistant
Hamidreza Masoumi
masoumih@mcmaster.ca

Course website: Please visit Avenue to Learn at http://avenue.mcmaster.ca

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COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
A2L:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	No

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COURSE INFORMATION

Lectures: 3 hours per week

Course Delivery Mode: In-person. However, in certain situations (e.g., a resurgence of Covid causing health risks), it may be necessary to switch to an online format. In that case, we will be using Zoom. The link will be subsequently provided.

Course Description: This course begins with an overview of the investment environment and the structure of financial markets, followed by an in-depth illustration of key topics in the textbook. These topics include capital allocation to assets and portfolio management, the capital asset pricing model, valuation of securities, derivatives assets, and market efficiency.

COURSE LEARNING OUTCOMES

Upon completion of this course, students should be able to complete the following key tasks:

➢ Have a sound understanding of financial markets and instruments.

➢ Have a basic familiarity with portfolio theory.

➢ Have a good understanding of basic security valuation techniques and be able to use them to make investment decisions.

COURSE LEARNING GOALS

The goal of this course is to introduce students to the fundamental elements of securities analysis, including financial markets and instruments, risk-return characteristics of investment decision-making, and the valuation of common equity. By the end of the course, students should be able to apply the tools learned in this class to make informed investment decisions and manage portfolios of common stocks and related securities.

REQUIRED COURSE MATERIALS

Required:

Lecture slides and other course materials will be posted on Avenue to Learn
- http://avenue.mcmaster.ca

Textbook:

Investments, 10th Canadian Edition, by Z. Bodie, A. Kane, A. J. Marcus, L. Switzer, M. Stapleton, D. Boyko, and C. Panasian; McGraw-Hill Ryerson, 2022.
- Campus store link for the textbook

COURSE EVALUATION

The instructor reserves the right to adjust the weights for materials covered during the term. Students are expected to come to class on time and be prepared for the class. You will be evaluated based on three components according to the following weights:

Components and Weights

Participation	Discussions and Course Evaluations	10%
Assignments	Four Individual Assignments	50%
Research Project	Group Presentation	10%
	Written Report	30%
Total		**100%**

Grade Conversion

At the end of the course, your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	LETTER GRADE	PERCENT
A+	90 - 100	C+	67 - 69
A	85 - 89	C	63 - 66
A-	80 - 84	C-	60 - 62
B+	77 - 79	D+	57 - 59
B	73 - 76	D	53 - 56
B-	70 - 72	D-	50 - 52
		F	00 - 49

COURSE DELIVERABLES

Course Evaluations
You are encouraged to provide feedback to your instructor in the middle and at the end of the term. The marks will be based on the number of evaluations received. The entire class will get full marks if a reasonable percentage of students have completed the course evaluations. The midterm feedback may be collected online via A2L, and the final course evaluation will be conducted through the university.

Assignments
There are four personal assignments throughout the term. Questions will be posted on the course's A2L page in Weeks 3, 6, 10, and 13. Students will have at least one week to do each assignment. See the due dates of each assignment below in the course schedule.

The assignments are to be done individually and submitted electronically through the assignment portal on the course's A2L page. The forms including Microsoft Word, Microsoft Excel, PDF, and JPEG are accepted to upload. The weight for missed assignments will **not** be added to other components of the course. All the detailed steps in solving the questions must be included in your answers. Answers that only include the results without the necessary calculations and/or reasoning will lead to a zero score.

Research Project
The purpose of the project is to give students an opportunity to gain some experience with equity research in a real-world setting. The main purpose of equity research is to provide investors with detailed financial analysis and recommendations on whether to buy, hold, or sell a particular investment. There is a wealth of information available online about public companies, but you will have to do some digging.

The investment will be a common stock of the students' choosing. The stock must be listed on a Canadian or US stock exchange. Listed investment trusts (e.g., REITs) and American Depositary Receipts (ADRs) for individual offshore companies are permitted as well. Securities based on a portfolio of stocks (e.g., ETFs) are not eligible for this project as the purpose is to analyze a particular industry and stock.

The project report should comprise two parts: industry analysis and stock analysis. Industry analysis typically involves investigating industry trends and competition. You should ensure that all the dynamics of the industry have been investigated, including the impact of political factors, the state and future of the economy, social trends, and technological change. Stock analysis involves choosing a company within the industry chosen above. The analysis should involve the company's prospects, the past performance of the stock, and anything else that you consider worth noting when making investment decisions. You should look at recent years' financial data for the company. These can be obtained from companies' annual reports, 10-K reports, etc (look at the SEDAR website for Canadian companies and the EDGAR website for US companies). The various sources of information you consult can then be used to make forecasts about the company's future prospects and arrive at an estimate of the value of the company's common stock (using valuation tools introduced in the course). Your consensus estimate (or, more likely, range of estimates) should then be compared with the current price (identify the date you choose to compare the prices in your report) in order to arrive at your recommendation. A recommendation as to whether the stock is a buy, hold, or sell should be given explicitly.

Each team will include **three** students. The team presentation (10-15 minutes per team) is in the last two lectures on November 22 & 29. The report is due **December 19** at 23:59 Eastern Time.

All written material must be your own original work. Evidence of copying from other sources (e.g., cut and paste of commercial stock reports) will result in a grade of zero on the report. Charts and tables from other sources can be included in the appendix providing the source is acknowledged. All material referenced should be cited in a bibliography.

Members of the same team are assumed to receive the same grade. Team members need to ensure that each of you pulls your weight. The instructor reserves the right to lower the grade of any student if it becomes apparent that they are not doing their share of the work (usually due to formal complaints made by their teammates).

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. In keeping with the University's academic regulations, all students who complete the required assignments will receive feedback for at least 10% of the final grade prior to the final date by which a student may cancel the course without failure by default. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar "Requests for Relief for Missed Academic Term Work" and the link below*:

http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanations and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

GENERATIVE AI

Students are not permitted to use generative AI in this course. In alignment with McMaster academic integrity policy, it "shall be an offence knowingly to submit academic work for assessment that was purchased or acquired from another source". This includes work created by generative AI tools. Also stated in the policy is the following, "Contract Cheating is the act of "outsourcing of student work to third parties" (Lancaster & Clarke, 2016, p. 639) with or without payment." Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. a grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy.

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal the authenticity and ownership of students' submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g., Avenue to Learn, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., online search, other software, etc.) For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

ONLINE COURSE COMPONENTS

In this course, we may use various online tools such as Zoom/MS Teams, Avenue to Learn and e-mail communications. Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, usernames for McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in a course that uses online elements will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all our living, learning and working communities. These expectations are described in the Code of Student Rights & Responsibilities (the "Code"). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g., use of Avenue to Learn, WebEx or Zoom for delivery), will be

taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact Student Accessibility Services (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator.

For further information, consult McMaster University's Academic Accommodation of Students with Disabilities policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students should submit their request to their Faculty Office *normally within 10 working* days *of* the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by university instructors. The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, Avenue to Learn and/or McMaster email.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 3FB3 is an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.** Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

Course Schedule

Week	Date	Topics* and descriptions
1	September 6	• Investment Environment • Financial Markets, Asset Classes, and Financial Instruments Reference Chapter in the Textbook: Chapters 1 & 2
2	September 13	• Security Trading • Mutual Funds Reference Chapter in the Textbook: Chapters 3 & 4
3	September 20	• Return and Risk Reference Chapter in the Textbook: Chapter 5
4	September 27	• Capital Allocation to Risky Assets • Efficient Diversification Reference Chapter in the Textbook: Chapters 6 & 7 Assignment 1 due September 26 at 23:59 Eastern Time
5	October 4	• The Capital Asset Pricing Model • The Efficient Market Hypothesis Reference Chapter in the Textbook: Chapters 9 & 11
6	October 11	• Macroeconomics and Industry Analysis • Equity Valuation Models Reference Chapter in the Textbook: Chapters 17 & 18
7	October 18	No Class (Mid-term recess)
8	October 25	• Bond Prices and Yields Reference Chapter in the Textbook: Chapter 14 Assignment 2 due October 24 at 23:59 Eastern Time
9	November 1	• Term Structure of Interest Rates Reference Chapter in the Textbook: Chapters 15 & 16
10	November 8	• Options Market • Option Valuation Reference Chapter in the Textbook: Chapters 20 & 21
11	November 15	• Forwards and Futures Reference Chapter in the Textbook: Chapter 22 Assignment 3 due November 14 at 23:59 Eastern Time
12	November 22	Group Project Presentation
13	November 29	Group Project Presentation
14		Assignment 4 due December 5 at 23:59 Eastern Time

*Chapter numbers refer to Bodie et al, 10th Canadian Edition.