

Commerce 3FB3-Thu C03
2:30-5:30pm in T13_107
Securities Analysis
Fall 2024 Course Outline

Finance and Business Economics Area
DeGroot School of Business
McMaster University

COURSE OBJECTIVE

This course presents a basic treatment of core concepts and theories in the field of the investments. In particular, this course focuses on financial markets and instruments, portfolio analysis, bond valuation and term structure of interest rates, futures and options.

INSTRUCTOR AND CONTACT INFORMATION

Instructor: Dr. Luo

Course website: A2L
Office Hours: by appointment
TA Office Hours: TBA

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: yes	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: Yes	Final Exam: Yes	Guest speaker(s): Yes

COURSE DESCRIPTION

This course is concerned with the analysis of marketable securities, especially common stocks. Topics include: the institutional characteristics and operation of financial markets, securities analysis and valuation, investment characteristics and strategies to increase return.

LEARNING OUTCOMES

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

- Have a good understanding and financial markets and instruments.
- Conduct the basic analysis for the securities.
- Use the models or methods to price most financial instruments.
- Understand the term structure of interest rates .

REQUIRED COURSE MATERIALS AND READINGS

Textbook: Investments, 10th Canadian Edition, by Z. Bodie, A. Kane, A.J. Marcus, L.N. Switzer, M. Stapleton, D. Boyko, and C. Panasian; McGraw-Hill Ryerson, 2022.

EVALUATION

There are four components contributing to course evaluation. Each component and its weight are listed below. Students' final percentage grades are computed based on all the weights for components.

Components and Weights

Positive Participation¹	(weekly pop quizzies)	10%
Four Assignments²		20%
Midterm Exam³		35%
Final Exam³		35%
Total		100%

Footnote 1: Any disruptive behavior in the classroom will be considered as negative participation and zero marks will be assigned to the participation grade.

Footnote 2: Any assignments that are handed in after the deadline will receive zero marks. You will have one week to work on the assignment prior to the due date.

Footnote 3: Only McMaster Standard Calculator is permitted at the midterm and final exams. The final exam will be scheduled by the University.

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

The lecture for this course will be delivered in person on the weekly basis and detailed information will be provided in our course website prior to the weekly lecture. The participation in the weekly lecture is required and will be accounted toward to the class participation grade. The lecture slides will be provided weekly prior to the weekly lecture.

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. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

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/>

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. the 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](https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/), located at <https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
 - improper collaboration in group work.
 - copying or using unauthorized aids in tests and examinations.
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AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student 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. A2L, 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., on-line search, other software, etc.). For more details about McMaster’s use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). 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, user names for the 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 on-line 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 of 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 2 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, A2L and/or McMaster email.

RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce **3FB3** will be considered to be 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.

TENTATIVE COURSE SCHEDULE

Below is the tentative course schedule. The tutorial sessions will be added in some weeks to assist students completing their assignments.

Week 1: Investment Environment (readings: Chapter 1) and Financial Markets and Instruments (readings: Chapter 2)

Week 2: Securities Trading (readings: Chapter 3) and Mutual Funds (readings: Chapter 4)

Week 3: Hedge Funds (readings: Chapter 26) and Risk and Return (Readings: Chapter 5)

Week 4: Capital Allocation (readings: Chapter 6) and Mean-Variance Diversification (readings: Chapter 7)

Week 5: Capital Asset Pricing Model (readings: Chapter 9) and Market Efficiency (readings: Chapter 11)

Week 6: Reading Week – no class

Week 7: Behavioural Finance and Technical Analysis (readings: Chapter 12)

Week 8: Interest rate fundamentals, term structure of interest rates, spot and forward interest rates (readings: chapter 15)

Week 9: Bond pricing and yield, duration, convexity (readings: chapter 14)

Week 10: Managing bond portfolios (readings: chapter 16)

Week 11: Derivatives – forward and futures contracts (readings: chapter 22)

Week 12: Derivatives – Options (readings: chapter 21)

Week 13: Risk management (readings: chapter 23)