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Финансовая экономика / Financial Economics

Course description

This is an introductory course in Finance which covers the basic principles of financial markets and asset pricing. We will discuss different financial instruments and how to use them for investment or hedging purposes. We will proceed to the basics of asset valuation. The starting point will be the present value formula. We will then talk about fixed-income securities, their valuation and the term structure of interest rates. The course will then move to stocks, starting with portfolio theory and then deriving the relation between risk and return. We will study the main asset-pricing models: the CAPM and the APT. We will talk about empirical multifactor models and various risk factors. We will discuss the major asset-pricing anomalies and investment strategies which exploit them. Finally, we will turn to derivatives, their replication and valuation based on no-arbitrage principle, and the use of them for hedging purposes.

Course objectives

The aim of the course is to familiarize students with various financial instruments, financial markets and basic principles of asset pricing and risk management. Students will be familiar with financial terminology in English and Russian. Students will know how to form and diversify portfolios of assets, how to find expected returns and risks of assets and portfolios of assets. Students will be able to find fair prices of financial assets and make investment decisions. Students will know the notion of risk premium and models characterizing equilibrium risk premiums. They will also be familiar with the most popular asset-pricing anomalies and the basics of behavioral pricing.