

Teaching portfolio – Steffen Meyer

Course descriptions (standardized)

Dynamic Asset Allocation (10 ECTS)

Course Description: The course is designed to give the students a thorough understanding of modern models of investment problems in financial assets and their solutions. After a critical review of the classic mean-variance framework, multi-period models for portfolio management are introduced.

General results on diversification, fund separation, and intertemporal hedging are derived and discussed. Several specialized models for the long-term investment problems of individuals and households are analyzed in detail; for example, models featuring interest rates and inflation uncertainty, labor income risk, and life-cycle aspects.

Finally, whether investment professionals and private investors follow the guidelines of the normative theories developed in class will be discussed. As an illustration, the class also looks at household portfolios, discusses the appropriateness of investment advice, and briefly touches on some behavioral finance issues.

Contents: Decision-making in multiperiod models with uncertainty

Normative theories and positive (=empirical) investor behavior

Optimal consumption and investment decisions of individuals

- review of mean-variance analysis
- dynamic model with constant investment opportunities
- dynamic model with stochastic interest rates
- dynamic model with stochastic market price of risk
- effects of labor income, housing, etc.
- non-standard utility or information structures may be considered

Literature: Munk, *Dynamic asset allocation*, Lecture notes, Copenhagen Business School, newest edition, or similar material.

Articles and additional lecture notes will be provided during the class.

Type of Lecture: Interactive lecture

Examination: Oral exam with preparation

Seminar: Financial Decision Making (5 ECTS)

Course	This seminar addresses topics of high relevance to research while also directly linking to either corporate practice or financial markets.
Description:	<p>Students will learn to work on a research question independently. Students are free in their choice of method. However, empirical work is appreciated. In writing the seminar paper, they will learn to search for and analyze academic literature, identify relevant research questions, and try to answer these questions based on the literature.</p> <p>After the seminar, students are well prepared to start working on their bachelor thesis. The seminar papers build on current literature, which is predominantly available in English. Seminar papers can be written in either German or English.</p>
Contents:	<p>The topics discussed in the seminar are highly important to research and practice and may also be related to regulatory issues.</p> <p>Topics for seminar papers will change annually. Topics could, for example, be:</p> <ul style="list-style-type: none">▪ The impact of social media on firms and investors▪ Fraud on financial markets: indicators and consequences▪ Ambiguity on financial markets: measurement and impact▪ Cash reserves by corporations: Good or bad signal▪ The use of cryptocurrencies by firms▪ Robo- advice and Asset Management▪ Peer to Peer Lending and Online Finance▪ Big data and credit risk management
Literature:	The relevant starting literature for the seminar is topic-specific and will be circulated before the seminar.
Type of Lecture:	Seminar
Examination:	Written seminar paper and presentation of the seminar paper

Finance (10 ECTS)

Course

Description:

The purpose of the course “Finance I” is to acquire knowledge about the financial issues of investors and companies making financial decisions. The student obtains competencies to handle fundamental financial investment problems in a company's financial function.

The purpose of the course is also to provide methods for assessing the economic benefits of a given set of economic decisions. Based on the skills and the application of the methods taught, students will be able to make an investment decision in a value-maximizing way. The course also discusses possible ethical dilemmas to be considered in economic decisions in prioritizing economic attractiveness relative to other, non-economic goals.

Contents:

Interest rates

- Discounting
- Annuities and perpetuities
- Internal rate of return and effective yield
- Accrual of interest and interest compounding
- Continuous rates

Financial markets, financial instruments and their pricing

- Interest rate risk and duration
- Investment theory under uncertainty in financial assets (optimal portfolio choice)
- Risk and return
- Pricing of financial assets

Valuation of real assets, corporations' choice of investment (capital budgeting), and capital structure

- Valuation of risk-free assets and projects
- Valuation of risky assets and projects
- Stock and bonds and (simple) valuation of these
- Tax effects in valuation of real investments
- Capital structure theory and costs of capital

Financial markets

- Capital market efficiency
- Optimal portfolio choice (risk vs. return: choosing an efficient portfolio of securities) under uncertainty
- Mean-variance analysis
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Pricing and valuation of financial assets

- Overview of financial market securities
- Pricing of financial assets (e.g., stocks, bonds, and options) under uncertainty
- Risk management using securities
- Pricing of derivatives using the binomial model and the Black-Scholes model

Literature: Berk and DeMarzo, *Corporate Finance*, 4th Edition, 2013, Prentice Hall

Bodie, Kane and Marcus, *Investments*, 12th edition, 2019, McGrawHill.

Benninga and Mofkadi, *Principles of Finance with Excel*, 3rd edition, Oxford University Press Inc., 2017.

Type of Lecture: Interactive lecture with exercise webinars

Examination: Exam

Household Behavior and Trading (“Household Finance”) (5 ECTS)

Course Description: The course seeks to discuss household behavior and trading on financial markets against the background of concepts from behavioral finance and how these insights may affect banks’ business models.

The course starts with briefly discussing how households should optimally invest. The following lectures familiarize students with important behavioral biases relevant to the decision-making on financial markets. The way how and the extent to which these biases influence trading and investment decisions is then discussed based on research findings. Beyond these findings, the class particularly highlights methods and identification strategies employed in various studies.

The class concludes by discussing research on potential remedies for these investment mistakes and how business practices or regulatory actions might help. The course may include presentations by guest lecturers from the industry.

Contents: Normative household investment behavior

- Mean-variance perspective
- Background risk
- A dynamic view on household portfolios

Behavioral Biases

- Overconfidence
- Mental accounting
- Loss aversion
- Reference point dependent utility
- Extent, effects, and costs of biases

Potential Solutions to household investment mistakes

- Regulation
- Financial literacy and education
- Default products
- Financial advice

Literature: A non-comprehensive list of literature of this class includes:

Campbell, J. Y. (2016). Restoring rational choice: The challenge of consumer financial regulation. *American Economic Review*, 106, 1-30.

Campbell, J. Y. (2006). Household Finance. *The Journal of Finance*, 61, 1553-1604.

Type of Lecture: Interactive lecture with practitioners’ presentations and examples in Excel and VBA on the practical use of the concepts discussed in research and practice.

Examination: Exam

Financial Systems (5 ECTS)

Course description:	<p>The lecture highlights the importance of a financial system in an economy and it discusses the functions financial systems have to fulfil.</p> <p>Against this background similarities and differences of financial system in different countries are discussed.</p>
Content:	<ol style="list-style-type: none">1. What constitutes a financial system?2. Risk sharing and inter-temporal smoothing3. Financial systems and economic development4. The role of banks in different financial systems5. The role of credit rating agencies in different countries6. Corporate finance in different countries7. Corporate governance in different countries8. Pension systems in different countries
Literature:	<p>Krahnert, J.P.; Schmidt, R.H. (eds.), 2004, "The German Financial System", Oxford.</p> <p>Allen, F.; Gale, D., 2000, "Comparing Financial Systems", MIT-Press, Cambridge.</p> <p>Allen, F.; Santomero, A.M., 1998, "The Theory of Financial Intermediation", in: Journal of Banking and Finance, Vol. 21, pp. 1461-1485</p> <p>Levine, R., 1997, "Financial Development and Economic Growth: Views and Agenda", in: Journal of Economic Literature 35, pp. 688-726</p>
Type of lecture:	Interactive lecture
Examination:	Written exam

Money and Finance II (exchange rates) (5 ECTS)

Course description: International collaboration is increasingly important to banks, companies, and investors. This class seeks to provide students with the analytical tools to make sound international financial decisions and manage business risks in an internationally integrated world.

Contents:

1. The Foreign Exchange (Spot) Market
2. Transaction Exchange Risk Measurement and Hedging
3. Interest Rate Parity (Covered, uncovered & Unbiasedness Hypothesis)
4. Measuring and Managing Real Exchange Rate Risk
5. International Capital Markets
6. International Investment Decisions and Country Risk
7. Risk Management and the Foreign Currency Hedging Decision

Literature: Bekaert, G. J./Hodrick, International Financial Management, 2nd edition.

Type of lecture: Interactive lecture

Examination: Exam

efinance (5 ECTS)

Course description:	<p>The lecture pursues the goal of familiarizing students with securities trading via stock exchanges. Building on this foundation, the courses discuss changes brought about by the digitalization of banking and securities trading. It discusses strategies like algorithmic trading and high-frequency trading from a bank's as well as from a policymaker's perspective.</p> <p>In the second part of the lecture, the class focuses on innovative business models in the fintech landscapes. These include for example robo-advice, or e-payment solutions.</p>
Contents:	<ol style="list-style-type: none">1. Introduction to exchanges and market microstructure2. Market models3. Market participants and services in security exchanges<ol style="list-style-type: none">a. Online Brokerageb. Institutional Brokerage4. High-frequency trading5. Innovative financial services in „digital” finance and fintechs
Literature:	<p>Schwartz, R. A., & Francioni, R. (2004). Equity markets in action: The fundamentals of liquidity, market structure and trading. John Wiley & Sons. Inc., Hoboken, New Jersey.</p> <p>Johnson, B. (2010). Algorithmic Trading and DMA: An introduction to direct access trading strategies, London.</p> <p>Harris, L. (2003). Trading and Exchanges: Market Microstructure for Practitioners, Oxford.</p> <p>Gomber, P., Lutat, M., Pierron, A., & Weber, M. C. (2011). Shedding light on the dark: OTC equities trading in Europe. The Journal of Trading, 6(1), 74-86.</p>
Type of lecture:	Interactive lecture
Examination:	Exam

Asset Management (5 ECTS)

Course Description:	The course is on financial markets and portfolio management. After briefly repeating the basics of portfolio management theory, the lecture discusses performance measurement and performance attribution in asset management. Building on these insights, the lecture presents investment processes and investment strategies. The lecture closes by delivering insights into investor behavior and managerial incentives.
Contents:	<ol style="list-style-type: none">1. Introduction2. Delegated investment products3. Portfolio Management4. Performance measurement and attribution5. Investment Process and investment strategies6. Investor Behavior & Managerial Incentives7. Outlook
Literature:	<p>Bodie, Z., Kane, A. & Marcus, A. (2011) Investments, 9th Edition, Boston et al.</p> <p>Elton, E., Gruber, M., Brown, S. & Goetzmann, W. (2004). Modern Portfolio Theory and Investment Analysis, 6th edition, New York et al.</p> <p>Benninga, S. (2006). Principles of Finance with Excel, New York.</p> <p>Papers on particular issues covered in class are uploaded to stud.IP in due time. These include, for example:</p> <p>DeMiguel, V., Garlappi, L., & Uppal, R. (2009). Optimal versus naive diversification: How inefficient is the 1/N portfolio strategy?. Review of Financial Studies, 22(5), 1915-1953.</p> <p>Gruber, M. J. (1996). Another puzzle: The growth in actively managed mutual funds. The Journal of Finance, 51(3), 783-810.</p>
Type of Lecture:	Interactive lecture with practitioners' presentations and examples in Excel and VBA on the practical use of the concepts discussed in research and practice.
Examination:	Exam

Money and Finance (5 ECTS)

Course Description: Die Vorlesung "Geld und Wahrung" ist monetar ausgerichtet; Kernbestandteile sind monetare theoretische Grundlagen sowie die Geldpolitik in Europa und Nordamerika und Grundzuge der monetaren Auenwirtschaftstheorie.

Contents:

1. Introduction
 - 1.1. What is money?
 - 1.2. Money supply
 - 1.3. Money demand
 - 1.4. Interests
2. Mechanisms and problems
 - 2.1. Transmission
 - 2.2. Latency
 - 2.3. Money vs. fiscal policy
3. Institutional setting
 - 3.1. Euro-area
 - 3.2. USA
4. Balance of payments and exchange rates
 - 4.1. Demand and supply in international currencies
 - 4.2. Determinants of exchange rates
5. International Interdependencies and setting

Literature: Mishkin, F. S. (2012). Economics of Money, Banking and Financial Markets, 10th edition, Pearson.
Bekaert, G., & Hodrick, R. J. (2009). International Financial Management, 2nd edition, Upper Saddle River, New Jersey, NJ: Pearson Prentice Hall.

Type of Lecture: Interactive lecture

Examination: Exam

Seminar: International Banking (5 ECTS)

Course Description:	<p>This seminar addresses topics of high relevance to research while also directly linking to business-relevant issues in international banking. Students will learn to work on a research question independently.</p> <p>Students are free in their choice of method. However, empirical work is appreciated. In writing the seminar paper, they will learn to search for and analyze academic literature, identify relevant research questions, and answer these questions based on the literature.</p> <p>After the seminar, students are well prepared to start working on their bachelor thesis. The seminar papers build on current literature, which is predominantly available in English.</p>
Contents:	<ul style="list-style-type: none">▪ Regulation and systemic risk▪ Corporate governance and bank risk-taking▪ Does the market know? Stress-Test result and stock market reactions▪ Is macroprudential supervision effective?▪ Shadow banking
Literature:	<p>The relevant starting literature for the seminar is topic-specific and will be circulated before the seminar.</p>
Type of Lecture:	<p>Seminar</p>
Examination:	<p>Written seminar paper and presentation of the seminar paper</p>