



**UNIVERSITY OF PIRAEUS
DEPARTMENT OF ECONOMICS
M.Sc. IN ECONOMIC AND BUSINESS STRATEGY**

Financial Analysis

Instructor: Professor Angelos KANAS

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COURSE OBJECTIVES:

The course aims at providing a deep understanding and appreciation of topics in contemporary financial markets, financial technology, and banking. The course describes both the theory and practice of financial decision making by corporations, financial managers, hedge funds, and investment funds, and shows how financial theory can be used to address practical problems and illuminate institutional aspects of the financial world. Emphasis will be placed on financial options, hedging portfolio risks using options, cryptocurrencies, and financial technologies including blockchain. Specific topics will be explored through EViews and R.

MODE OF INSTRUCTION:

The course will use a mixture of lectures and text reading assignments, supplemented with solution of problems, case analyses and presentations (both written and oral) to better appreciate the application of theoretical concepts and tools to various real-world financial situations: an oral group presentation and a written report on an assigned case are expected.

SODTWARE

Students are advised to download the free student lite version of EViews 11 (<http://www.eviews.com/EViews9/EViews9SV/evstud9.html>).

Students are also advised to download **R** (<https://cran.r-project.org/bin/windows/base>).

COURSE MATERIALS:

Required

Angelos Kanas, 2021, Principles of Investments and Financial Markets (in Greek), Benos Publ.

Bibliography

1. T E Copeland and J F Weston, Financial Theory and Corporate Policy, 3rd edition, 1988, Addison Wesley Pub. Company.
2. F. Fabozzi and F Modigliani (1996): Capital Markets. 2nd edition, Prentice Hall.
3. M. Levi (1996): International Finance: The Markets and Financial Management of Multinational Business', 3rd edition, McGraw Hill.
4. Z. Bodie, A. Kane and A Marcus (1996): Investments, 3rd edition, Irwin.

Articles

1. Black F and M Scholes, The pricing of options and corporate liabilities, Journal of Political Economy, 81, 637-654, May-June 1973.
2. Bollerslev, T. R. Y. Chou, and K Kroner, ARCH modeling in finance, Journal of Econometrics, 52, 1992, 5-59.
3. Fama, E F, Forward and Spot exchange rates, Journal of Monetary Economics, 14, 1984, 319-338.
4. Kanas, A and P Molyneux, Macro stress testing the USA banking system, Journal of International Financial Markets Institutions and Money, 2018, forthcoming.
5. Kanas, A, Is economic exposure asymmetric between long-run depreciations and appreciations? Testing using cointegration analysis, Journal of Multinational Financial Management, 1997, 7, 27-42.
6. Gujarati, D., 1995, Basic Econometrics, McGraw Hill
7. Yallop, J.M, 1991, Hedging average rate currency options, Discussion Paper, Morgan Grenfeld & Co. Limited.
7. Levi, M D. and P Sercu, Erroneous and valid reasons for hedging foreign exchange exposure, Journal of Multinational Financial Management, 1, 1997, 25-37.

COURSE OUTLINE

<u>Week</u>	<u>Reading</u>	<u>Topic</u>
1	Chapter 11	Introduction. Financial Derivatives.
2	Chapter 11	Financial Options, Terminology, Markets.
3	Chapter 11	Applications: Portfolio equity risk and hedging using stock index options.
4	Chapter 12	Options Pricing. Option pricing in R. Investments as options (real options) R&D in pharmaceutical industry and options
5	Chapter 10	Exchange rates and currency markets, International investments. Cryptocurrencies.
6	Chapter 10	Exchange rate exposure and hedging. Currency futures, currency forwards, currency options, second generation options.
7	Chapter 4	Financial market efficiency. Financial asset prices and dynamic behavior. Empirical modelling. Empirical applications.
8		Applications in EViews, applications in R.
9	Relevant articles	Banking issues: Basel, Regulation, Value-at-Risk, Stress tests.
10		Applications of VaR in Excel and in R
11		Empirical applications in contemporary financial issues. Blockchain – Practical applications. Blocks, Miners.
12		Project Presentations
13		Final exam.

COURSE EVALUATION:

Your performance will be evaluated by a written final exam (50% of the final mark) and a project (50% of the final mark). The project will be a group work, which must be submitted to the instructor in weeks 11/12. Each member of group will be required to present his/her contribution to the project. The submitted work will be assigned a group mark (25% of the final mark), whilst the presentation an individual mark (25% of the final mark). Thus, the project will carry 50% of the final mark. The relative weights of each are:

Final Exam	50%
Project	<u>50%</u>
Total	100%