

Elective course in the area **International Economics**

International Financial Markets and Portfolio Selection Theory

Teaching Load 3 hours per week

Kind of course Elective in Master Programme

ECTS Credit Points 6 = 180 hours

Lecture: 45 hours = 15 x 3 hours per week

Self-study: 135 hours

- 65 h: reading the required course material
- 15 h: revision of notes made during class
- 35 h: solving problems
- 20 h: preparing the final exam

Lecturer Prof. Dr. Hildegard Breig

- Course objective and Learning Outcomes
- description of major financial markets and securities
 - detailed presentation of the theory of modern portfolio selection
 - discussion of market efficiency
 - characterize the risk and return features of stocks and bonds
 - show the effect of correlation on portfolio risk
 - define efficient portfolios
 - demonstrate how to determine an investor's optimal portfolio
 - identify reasons why international diversification may improve the risk-return-relationship
 - explain the standard capital asset pricing model and its implications for portfolio selection

Topics	<ul style="list-style-type: none"> • Overview of Financial Markets • Rates of Return on Financial Securities • Risks in Financial Markets • Markowitz's Theory of Diversification and the Efficient Frontier • Simplifying the Portfolio Selection Process • An Investor's Optimal Portfolio • International Diversification • Asset Pricing Theory
Literature	<ul style="list-style-type: none"> ➤ Elton, E.J. et al., Modern Portfolio Theory and Investment Analysis, 7th ed., Hoboken, NJ: John Wiley & Sons, 2007, ch. 1-ch. 7, ch. 11-ch. 13. ➤ Mishkin, F.S., The Economics of Money, Banking, and Financial Markets, 9th ed., Boston et al: Pearson Addison Wesley 2010, ch. 1, ch. 2, ch. 4, ch. 7. ➤ Ross, St. et al., Fundamentals of Corporate Finance, 7th . ed., New York, NY: McGraw Hill, 2010, ch. 12. ➤ Solnik, B. and McLeavey, D., International Investments, 5th ed., Boston et al.: Addison Wesley, 2004, ch. 1, ch. 5, ch. 6, ch. 7, ch. 9.
Teaching Methods	<ul style="list-style-type: none"> • Lectures • Discussion
Grading	Final written exam
Language of Instruction	English