Outline. The subject will focus on estimating and testing nonlinear models in finance including volatility models, factor models of contagion and discrete models of financial behaviour. Special attention will be given to applications in option markets (implied volatility and smiles), bond markets (level effects) and credit markets (default risk). Estimation and testing methods are based on maximum likelihood and generalised method of moments. The computer software used throughout the course is E-Views.

Coordinator.
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Tutors.
Amila Karic
e-mail: amila.karic@unimelb.edu.au

David Moreton
e-mail: dmoreton@unimelb.edu.au

Contact.
Lecture: Tuesday 6:15 - 8:15 pm,
The Spot - Copland Theatre
Tutorial: 1 hour per week:
TYPE YOUR CHOICE: DAY HOUR ROOM
Tutor Consultations:
Tuesday 12 - 1pm, The Spot 3014, by Amila
Tuesday 2:15 - 3:15pm, FBE 317, by David
On-line Tutor: available on the lms website
Lecture Recordings: available on the lms website

Assessment.
Mid-term Test - held in lecture time in Week 5
(worth 10% of the final grade)
Group Project - due in Week 9 (worth 20%)
Final Exam - held during exam period (worth 70%)

Software.
Eviews 8 is the software package used for the course. It is available in tutorial rooms and computer labs at the FBE. For off campus access, please, refer to the lms website of the course.

Syllabus.

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<td>12</td>
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Readings.

Main readings:
lecture notes
lecture handouts
articles available on the lms website

Background readings:

Reading in Calculus:

Reading in Linear Algebra:
(available at UniM ERC: 512.5 ANTO).
Plagiarism and Collusion. Presenting material from other sources without full acknowledgment (referred to as plagiarism) is heavily penalized. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own even though it has been copied in whole or in part from another student’s work, or from any other source (e.g. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorized collaboration with another person or persons. Both the student resenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.

For more information, please visit the website at: http://academichonesty.unimelb.edu.au/

Special Consideration. Students who have been affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration and the process for making an application: http://fbe.unimelb.edu.au/csc/assistance/special_consideration

Using the Assignment Tool. The Assignment Tool allows students to submit their assignments online from home or from any of the student computer laboratories on campus.

Students will be required to submit their assignments in electronic format into the Assignment Tool via a link on the LMS page for this subject. Further instructions on using the Assignment Tool can be found at: http://fbe.unimelb.edu.au/__data/assets/pdf_file/0006/708342/Students_Guide_Assignment_Tool_Feb2013.pdf

Late Submission. Late submissions must be accompanied by a completed Request for Special Consideration form. The form must be handed to the Commerce Student Centre. For further information, please visit: http://fbe.unimelb.edu.au/csc/assessment/submission

Late assignments, where approval for late submission has not been given, will be penalised at the rate of 20% of the total mark per day, or part thereof, for up to 5 business days, at which a mark of zero will be given.

FBE Centre for Excellence in Learning and Teaching. The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics.

Maximise your academic success by taking part in CELT services that develop:

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- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

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