

MASTER IN RISK MANAGEMENT

MICRO AND MACROECONOMICS FOR FINANCE AND INSURANCE

COURSE DESCRIPTION

The course is formed by two modules:

Microeconomics (prof. Pier Mario Pacini): Portfolio Optimization and micro-structure of financial markets: Financial choices under risky environments, portfolio optimization, return prices (CAPM, APT). Microstructure of financial markets (price formation and publication; information and transparency, market regulation).

Macroeconomics (prof. Pompeo Della Posta): International finance, exchange rate and interest rate risk: hedging instruments Monetary and financial economics. More in detail: main economic concepts and theories of International Monetary Economics and International Finance; exchange rates and exchange rate systems, theories of exchange rate determination, speculation in different exchange rate regimes. Arbitrage and hedging against interest rate and exchange rate risks.

OBJECTIVES:

Skills:

- Develop the understanding of definitions and theories concerning choices under uncertainty
- Develop students' ability to deal with problems of portfolio optimization and insurance
- Make students aware of the working of financial markets, price formation and returns on risky assets
- Develop the understanding of the definitions and theories of exchange rates and international financial markets
- Allow the students to approach critically the economic theories so as to understand their limitations together with their strengths

Knowledge:

- Understand and represent a decision (investment) in a risky environment: objects, constraints and purposes
- Understand individual behaviour in case of risk and interpret its normative content
- Understand the working of financial market and pricing
- Understand the role of institutions
- Understand how exchange rate and financial markets work
- Understand the functioning of hedging, speculative, and arbitrage behaviour
- Master simple techniques for the pricing of exchange rate derivatives.

Attitudes:

- Ability to interpret and represent correctly and with critical awareness cases of risky decisions and investments, framing them in the proper theoretical setting
- Ability to apply tools and technique to solve simple decision problem in risky environment.

- Ability to use the theoretical tools to forecast market behaviour and pricing conditional on available information.
- Application of tools and techniques for arbitrage speculation, and hedging.risk
- Ability to assess critically the functioning of exchange rate markets

Assessment Criteria

Final comprehensive written examination (80%)

Class participation (20%)