



5.00 credits

30.0 h

Q2

Teacher(s)	Iania Leonardo ;
Language :	English
Place of the course	Louvain-la-Neuve
Prerequisites	<ul style="list-style-type: none"> <li>• Econometrics, Finance and Fundamental mathematical and statistical concepts. Concepts covered in courses such as the ones listed below should be known.</li> <li>• Économétrie [ LECGE1316 ]</li> <li>• Mathématiques en économie et gestion I [ LECGE1112 ]</li> <li>• Mathématiques en économie et gestion II [ LECGE1230 ]</li> <li>• Statistique en économie et gestion I [ LECGE1114 ]</li> <li>• Statistique en économie et gestion II [ LECGE1224 ]</li> <li>• Finance [ LECGE1332 ]</li> </ul> <p>In addition, this course is reserved for students with a bachelor's degree in business engineering or students with equivalent quantitative method skills.</p>
Main themes	The financial crises of the last twenty years have stressed more than ever the close connection between financial markets and the real economy. This course ideally splits this connection in two directions: (i) from the real economy to financial markets and (ii) from the financial markets to the real economy. In the first part we study the role of financial markets/products as mean of intertemporal allocation of future consumption streams. In the second part of the course, we highlight the role of financial products as mean to reallocate risk within the financial system, highlighting how mis-allocation/pricing of risk lead (and can lead) to financial crises with severe macroeconomic consequences.
Learning outcomes	<p><b>At the end of this learning unit, the student is able to :</b></p> <p><i>During their programme, students of the LSM Master's in management or Master's in Business engineering will have developed the following capabilities</i></p> <p><b>KNOWLEDGE AND REASONING</b></p> <p>2.2 Master highly specific knowledge in one or two areas of management: advanced and current research-based knowledge and methods.</p> <p><b>A SCIENTIFIC AND SYSTEMATIC APPROACH</b></p> <p>1 3.3 Consider problems using a systemic and holistic approach: recognize the different aspects of the situation and their interactions in a dynamic process.</p> <p><b>WORK EFFECTIVELY IN AN INTERNATIONAL AND MULTICULTURAL ENVIRONMENT</b></p> <p>5.2 Understand the international socio-economic dimensions of an organization and identify the associated strategic issues and operational decisions.</p> <p><b>TEAMWORK AND LEADERSHIP</b></p> <p>6.1 Join in and collaborate with team members. Be open and take into consideration the different points of view and ways of thinking, manage differences and conflicts constructively, accept diversity.</p>
Evaluation methods	<p><b>Continuous evaluation</b></p> <ul style="list-style-type: none"> <li>• Date: will be specified later</li> <li>• Type of evaluation: Group Assignment, Closed-book written test.</li> <li>• Comments: No</li> </ul> <p><b>Evaluation week</b></p> <ul style="list-style-type: none"> <li>• Oral: No</li> <li>• Written: No</li> <li>• Unavailability or comments: No</li> </ul> <p><b>Examination session</b></p> <ul style="list-style-type: none"> <li>• Oral: No</li> <li>• Written: No</li> <li>• Unavailability or comments: No</li> </ul>

Teaching methods	<ul style="list-style-type: none"> <li>• Lectures</li> <li>• Teamwork</li> </ul>
Content	<p>The content of the course is the following:</p> <ul style="list-style-type: none"> <li>• Part 1: From the Real Economy to Financial Markets             <ul style="list-style-type: none"> <li>• Facts: time variation and business cycle correlation of expected returns;</li> <li>• Empirical evidence of CAPM and Mean Variance Efficient portfolios;</li> <li>• Equity premium;</li> <li>• Consumption models;</li> <li>• Empirical evidence on equity premium puzzle and consumption models.</li> </ul> </li> <li>• Part 2: From the Financial Markets to the Real Economy:             <ul style="list-style-type: none"> <li>• Channels of funding and the role of (shadow) banks</li> <li>• The financial crash and systemic risk</li> <li>• Solvency versus liquidity</li> <li>• The nexus between the private and public sectors</li> <li>• The flight to safety</li> <li>• Unconventional monetary policy</li> </ul> </li> </ul>
Bibliography	<p><b>Support de cours</b></p> <p><b>Part 1</b> : «Financial markets and the real economy» by John Cochrane, available at <a href="https://faculty.chicagobooth.edu/john.cochrane/research/papers/financial_and_real_proofs_aug_07.pdf">https://faculty.chicagobooth.edu/john.cochrane/research/papers/financial_and_real_proofs_aug_07.pdf</a></p> <p><b>Part 2</b> : «A crash course on the euro crisis » by Markus K. Brunnermeier and Ricardo Reis, available at <a href="https://scholar.princeton.edu/sites/default/files/markus/files/19-crashcourse.pdf">https://scholar.princeton.edu/sites/default/files/markus/files/19-crashcourse.pdf</a></p>
Faculty or entity in charge	CLSM

<b>Programmes containing this learning unit (UE)</b>				
Program title	Acronym	Credits	Prerequisite	Learning outcomes
Master [120] : Business Engineering	INGE2M	5		
Master [120] in Economics: General	ECON2M	5		
Master [120] : Business Engineering	INGM2M	5		