

FIN 3103A - Financial Markets

Semester II. 2014/2015 (January 2015 – May 2015)

<i>Instructor</i>	Dr. Zsuzsa R. Huszár
<i>Class locations</i>	Section A1: HSSML (Monday 11-13:45), Section A2: BIZ2-0509 (Tuesdays 8:00-10:45), Section A3: BIZ2-0509 (Tuesdays 14:00-16:45)
<i>Office contact</i>	Biz 1, Mochtar Riady Building #7-46 (Office Tel: 6516-8017)
<i>E-mail</i>	bizhxr@nus.edu.sg (<i>preferred contact</i>)
<i>Office hours</i>	As shown on IVLE (please contact the lecturer via email to set up appointment)
<i>Description</i>	FIN3103 is an introductory financial market course. The course aims to familiarize students with the regulatory framework and the functioning of the local (Singaporean and ASEAN) and global (US & European) financial markets. The course prerequisite is FIN 2004.
<i>Objectives</i>	The objectives of the course are to gain an understanding of: <ul style="list-style-type: none">▪ the local Singaporean financial market and financial institutions in the context of Southeast Asia;▪ the functioning of other financial centers/markets with emphasis on the U.S. and the EU;▪ the different financial assets and services offered by the different types of financial institutions;▪ the use and valuation of different financial assets traded on the local and global financial markets (e.g., equities, bonds, treasuries and currencies).
<i>Course textbooks:</i>	(1) “Foundation of Financial Markets and Institutions” by Fabozzi, Modigliani, and Jones, 4 th ed. Pearson Education (2) “Financial Markets and Institutions” Saunders and Cornett 5 th ed. McGraw Hill (earlier editions are available in NUS bookstore and in library, at least 4 th edition is recommended) (3) “Investment Management” by Saw Swee-Hock, 4 th Ed. Pearson Prentice Hall. The purchase of (1) or (2) is strongly recommended.
<i>Course Policy</i>	As classroom participation counts toward the final course grade; thus, it is in the student’s best interest to attend classes and actively engage in class discussions. Students are randomly called upon to express their own opinion (based on reassigned reading) on certain class subjects. To facilitate classroom discussion and participations students are advised to bring their own name cards to the class. <i>Students missing more than two classes</i> (excluding medical reasons, medical certificates are required, or compassionate reasons) <i>can be penalized and/or fail the entire module.</i>
<i>E-mail</i>	All important announcements will be posted on IVLE, email, SMS, and also on facebook (students can send friend request facebookpage zsuzsar.huszar BUT TO BE ADDED you need to mention the class section in the friend request, otherwise I WILL decline the friend request). It is the students’ responsibility to ensure that they receive all communications. Students must use their NUS email in communication

with the instructor (the lecturer may not answer gmail/yahoo/hotmail communication as emails from such accounts may be blocked by the NUS virus protection).

Tests

Closed-book midterm and final quiz will be in about the 8th and the 12th week of the class during Saturday (all sections together) and a group project (tests may be given weekends for the three session combined). Both tests are closed-book tests. The midterm generally covers topics up to week 7, including some aspects of the presentations so students should pay attention. The final quiz includes topics *mostly* after the midterm test, but will review some topics before the midterm at a smaller weight. Students are responsible to ensure that they are available for the midterm exam and the final quiz, as no makeup exams will be administered (except with official excuse).

Term Projects

The class will be divided into 8 groups. Each group must research a specific, such as currency crises and mortgage crises. Students are required to prepare a 15 pages long professional report (in Times New Roman or Arial, size 12, 1.5 line spacing) and a power point presentation (max 30 minutes) where they present an overview of the topic, real world examples, and their own viewpoints. Students need to **BOTH email the report & presentation to the lecturer and also must upload on IVLE**. Late submissions are not accepted, and all group members receive zero credit for the project part of the course.

- The report is due 3 days in advance, that is Friday 9 Am for section A1 and Saturday 9AM for Section A2 and A3 (from Tuesday).
- The presentations are due one day in advance, Sunday 9 AM for the A1 section and Monday 9 am for the A2 and A3 sections.

It is important that each group pays attention to all other groups as professional courtesy. Also each group is required to critic and discuss/quiz the other group (and GRADED on the discussion).

Group 8 is assigned to quiz group 1.

Group 7 is assigned to quiz group 2.

Group 6 is assigned to quiz group 4.

Group 5 is assigned to quiz group 3.

Group 4 is assigned to quiz group 7.

Group 3 is assigned to quiz group 8.

Group 2 is assigned to quiz group 5.

Group 1 is assigned to quiz group 6.

Group assignment:

During the first class, on the first come first serve basis, students (max 3-4 per group) can choose from 8 broad topics listed on the syllabus (p.4), where the students can tailor to topic to their interest based on discussion with the lecturer. Important that the presentations are scheduled throughout the semester, thus students need to make sure that they are available for the presentation.

Grading

Class Participation	20%
Term Project (presentations/critics)	30%
Midterm	30%
Final quiz	20%
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Total	100%

Students must follow official guidelines to request a grade review.

Exchange students should read orientation materials about the grading process and the grade review. Also, exchange students should make sure that they communicate with their home university to ensure that the course is recognized for credit.

- Calculator* Only non-programmable calculators are allowed in the course.
- Feedback* Students are also encouraged to provide comments and suggestions to the instructor that may help the class to learn better.

Tentative class schedule (subject to change)		<i>Book chapters</i>	
Week	Topics	<i>Fabozzi & Modigliani & Jones</i>	<i>Saunders & Cornetts</i>
1-3	Intro to financial markets, financial assets and institutions – Depositories vs Non-depositories – Central Banks; Basel I and II	1, 2-3,6-8 4-5	1 11, 14-18 12-13, 19-24
4	Responsible lending / Ethics / Islamic finance		
5	Asset pricing – The role of interest rate <i>Group 1 – Causes and treatment of bank failures</i>	9-10	2,4-6
6	Interest rates and debt market <i>Recess week (21/02/2015 – 1/03/2015)</i>	10-12	4-7
7	Interest rates and introduction to equity markets <i>Group 2 – US gov/corp. debt market</i> <i>Group 3 – Singapore gov/corp. debt market</i>	15-16, 19- 21	6
8	Introduction to equity markets usual class time <i>Midterm (Closed book Test):* (TBA) (Saturday)</i>		
9	Stock markets, types of markets: order or quote driven <i>Group 4 –US/European stock markets</i> <i>Group 5 – Asian stock markets</i>	12-13	8
10	Review of equity assets and intro to derivative markets		10
11	Derivatives: options, futures and forwards, and swaps <i>Group 6 – Derivatives market</i>	28-30	10
12	FOREX market (usual class time) – half time <i>Second test: Closed book test (Saturday)</i>	30-31	9
13	<i>Presentations (Vote for best presentation if time permits)</i> <i>Group 7 – FOREX trading</i> <i>Group 8 – Recent currency crisis –US debt ceiling</i>		

Schedule may be moved if the class is progressing at a slower speed.

* The midterm and second tests may be scheduled outside of regular class time during the same week. Students must ensure that they are available Saturday for the test date in advance. The location is to be announced on IVLE and via email once it is confirmed.

Groups	Topics – instructions
1	<p><i>Group 1 – Causes and treatments of bank failures</i> Discuss common causes of bank failures (asset-liability maturity mismatch, currency devaluations, real estate bubble, etc.) and treatments the emphasis should be on Basel 1,2, and 3. How banking regulations can be effectively prevent bank runs/failures.</p>
2	<p><i>Group 2 – US government and corporate debt market (both private and public debt)</i> Compare the government and corporate debt market (size, development, etc). Who uses the government market (investors and issuers) and the corporate debt market (investors and issuers) in the US? Include both private and public debts in the discussion.</p>
3	<p><i>Group 3 – Singapore government and corporate debt market (both private&public)</i> Compare the government and corporate debt market (size, development, etc). Which groups/institutions invest/ raise capital in the government market and the corporate debt market in Singapore and why? How does the debt market serve the economy? Include both private and public debts in the discussion.</p>
4	<p><i>Group 4 – US/European stock markets- major traded assets</i> Describe three major European equity markets (inclusive of Euronext, LSE) and the US equity markets (Nasdaq, NYSE-Amex) with emphasis on the consolidation of the exchanges. What is the future of national exchanges in the context of globalization? Discuss the benefits and disadvantages of exchange trading and OTC markets.</p>
5	<p><i>Group 5 – Asian stock markets – major traded assets</i> Describe major Asian equity markets (incl. Japan, Hong Kong, Shanghai/Shenzen, Australian, Singapore, Bombay exchanges) with emphasis on the consolidation and the future of the exchanges. What is the future of national exchanges in the context of globalization? Provide a list of exchange traded financial assets (and OTC assets), what are the benefits of exchange listing?</p>
6	<p><i>Group 6 – Derivate markets</i> Describe major US, Europe and Asian derivative markets (incl. CBOE, Hong Kong, Shanghai/Shenzen). Describe and contrast the importance and competitive advantage of the national or local derivatives markets. In addition, you can mention the future of the Singapore derivatives market? Where to trade what (address financial product specification)?</p>
7	<p><i>Group 7 – FOREX market</i> What are the major FOREX markets and why are they increasingly important in the economy? Discuss the present and future of the Singapore’s (and other Asian) FOREX market? What are the cost and benefits of FOREX trading for FIs and corporations?</p>
8	<p><i>Group 8 – Recent currency crisis</i> The past, present and the future of the USD and the Euro. Discuss the potential impact of USD failure in the context of Asia. What is the role of China in the currency market and what is the future of the Chinese Yuan, Japanese Yen and USD?</p>
Guidelines	<p>Please read the guidelines (under term project on page 2) carefully. The length of the project is max 15 pages while the presentation is max 25 slides (groups with more than 30 slides will receive lower grade as penalty). Video/movie is NOT recommended as it reduced the group members’ presentation time. <i>If the presentation is longer than 30min., or unclear or incorrect, the group will be penalized. The lecturer may interrupt the presentation in the interest of the class to clarify certain issues or correct contents.</i> It is recommended that the presenters prepare well for the presentation to improve clarity and ensure that they are able to meet the time constraints.</p>