

FIN 3103A - Financial Markets

Semester II. 2015/2016 (January 2016 – May 2016)

<i>Instructor</i>	Dr. Zsuzsa R. Huszár
<i>Class locations</i>	Section A1: HSSML (Monday 11-13:45), Section A2: BIZ2-#5-09 (Tuesdays 8:00-10:45), Section A3: BIZ2-#5-09 (Tuesdays 14:00-16:45)
<i>Office contact</i>	Biz 1, Mochtar Riady Building #7-46 (Office Tel: 6516-8017)
<i>E-mail</i>	bizh3r@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 local and global financial markets (e.g., equities, bonds, and currencies).
<i>Course textbooks:</i>	(1) “Financial Markets and Institutions” by Mishkin and Eakin, 8 th Global Edition, Pearson Education. (2) “Foundation of Financial Markets and Institutions” by Fabozzi, Modigliani, and Jones, 4 th ed. Pearson Education (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 are posted on IVLE, disseminated by email or SMS. A class facebook page is also maintained for online collaboration and communication among students and with the lecturer (students can send friend request to facebookpage zsuzsar.huszar. <i>FRIEND REQUESTS</i> are <i>ONLY</i> accepted if you also send a private message including your name and mention the class section to validate your request). It is the students’ responsibility to ensure that they receive all communications. Students should note that the lecturer may not answer to

gmail/yahoo/hotmail emails, NUS official email communication is preferred.

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 topic and write a report/presentation and also write a critic on one of the other group in the class. The project report is expected to be of 15 pages (in Times New Roman or Arial, in size 12, with 1.5 line spacing) while the presentation is scheduled for max 30 minutes. 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**, Friday 9 AM for students in section A1 and Saturday 9AM for Sections A2 and A3.
- The presentations are due in **1 day in advance**, Sunday 9 AM for students in section A1 and Monday 9AM for Sections A2 and A3.

Each group is expected to pay attention to other groups as professional courtesy. Also each group is required to submit a 1-2 page long critic and be ready to comment on the other group in class after the presentation.

Group 8 is assigned to review Group 1. (Group 8's review due 2 days after the presentation)

Group 7 is assigned to review Group 2. (due 2 days after presentation)

Group 6 is assigned to review Group 4. (due 2 days after presentation)

Group 5 is assigned to review Group 3. (due 2 days after presentation)

Group 4 is assigned to review Group 7. (due 2 days after presentation)

Group 3 is assigned to review Group 8. (due 2 days after presentation)

Group 2 is assigned to review Group 5. (due 2 days after presentation)

Group 1 is assigned to review Group 6. (due 2 days after presentation)

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). The lecturer may get involved in group allocation to ensure even distribution. The presentations are scheduled throughout the semester, 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%
<hr/> Total	<hr/> 100%

Students must follow official guidelines to request a grade review.

Exchange students should read NUS 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. All other grade related and NUS policy questions students should contact their assigned coordinator in the Undergraduate office.

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>Mishkin & Eakin</i>	<i>Fabozzi et al.</i>
1-3	Introduction to Financial Markets and Institutions – <i>Depositories vs Non-depositories</i> <i>Responsible lending / Ethics / Islamic finance</i>	1 & 2 8, 9, 10*	1, 2-3,6-8
3-4	Central Banks; Basel I and II, Bank Risk Management	17, 18, 19	4-5
5	Asset pricing – The role of interest rate <i>Make-up Class for CNY - Thurs/Friday or Saturday *^l</i>	3, 4, 5	9-10
6	Interest rates and debt market <i>Group 1 – Causes and treatment of bank failures</i> <i>Recess week (20/02/2016 – 28/02/2016)</i>	14,11,12	10-12
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>	3, 13	15-16, 19-21
8	Introduction to equity markets (Review class may be available March 8-10) <i>Midterm (Closed book Test):[†] (Sat., March 12, 2016)</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
10	Review of equity assets and intro to derivative markets		
11	Derivatives: options, futures and forwards, and swaps <i>Group 6 – Derivatives market</i>		28-30
12	FOREX market (usual class time) – half time <i>Second test: Closed book test (Sat., April 9, 2016)</i>	15, 16	30-31
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>		

* Additional chapters on specific financial institutions (e.g., insurance companies, pension funds) will be also incl. Chapters 20, 21, 22, 26 and 27 on Mutual Funds, Insurance Companies, Investment Banks, Savings Associations and Finance companies, respectively.

[†] The midterm and second tests may be scheduled outside of regular class time, on Saturdays. Once the location and timings are confirmed the information will be announced on IVLE and via email .

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 I, II, and III and the regulations (in)effectiveness in preventing bank runs/failures. Also discuss the welfare implication, society cost of bailouts, saving banks or letting them fail.</p> <p><i>Group 2 – US Debt Market: Including both government and corporate debt market</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 for both government debt assets and corporate or personal debt assets in the discussion.</p> <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> <p><i>Group 4 – US/European stock markets- major traded assets</i> Describe at three major European and US equity markets (e.g., Euronext-NYSE, OMX-NASDAQ, LSE or Deutsche Burse) with emphasis on the consolidation of the exchanges and nationalism. What is the future of national exchanges with the increasing importance of ECN trading platforms and dark pools in the context of globalization? Discuss the benefits and disadvantages of exchange trading and OTC/or offshore markets (read the <i>Flash Boys: A Wall Street Revolt</i> for some HFT stories).</p> <p><i>Group 5 – Asian stock markets – major traded assets</i> Review the competitive advantages (issues) of key Asian equity markets (e.g., Japan Exchange, HKex, Shanghai/Shenzen, and Singapore) with emphasis on the consolidation and the future of the exchanges. What is the future of national exchanges in in Asia and which exchanges have “future” while others are “struggling”. What is THE role of an exchange in the economy and how that role is fulfilled in developing Asian Economies?</p> <p><i>Group 6 – Derivate markets</i> Discuss 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 (which assets and why)?</p> <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> <p><i>Group 8 – Recent currency crisis</i> Discuss the past, present and the future of the USD and the Euro. Discuss the potential impact of USD or Euro 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 (offshore/onshore market) and the Yuan as a Special Drawing Right (SDR) after 2016?</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 be penalized). 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>

ACADEMIC HONESTY & PLAGIARISM

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The National University of Singapore and the NUS Business School (The University and the School, hereafter) expect every student to uphold academic integrity and honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>