

FIN 3103A - Financial Markets

Semester II. 2016/2017 (January 2017 – May 2017)

<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>	bizhr@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; it is in the student’s best interest to attend classes and actively engage in class discussions as well in online class discussions. 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 (excluding medical reasons, medical certificates are required, or compassionate reasons) 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 by WEEK 3 that he/she is added to the

facebook page if she/he wishes to engage in online communication there. Of course students who wish to protect their privacy can engage in class discussion on IVLE. Students should use their NUS email in communication, other emails may be blocked by spam filters.

Tests

All quizzes and tests are closed book and closed note tests. The lecturer will provide the relevant formula on the test paper. The test paper will be anonymous, the students have to make sure that their matric number on the test is legible. If the test paper cannot be identified the student may not receive grade. Plagiarism and cheating are major offenses and the student may fail, not to mention other University level consequences. During the first week, students should check the schedule to ensure their availability for the test dates and presentations because no makeup exams will be administered (except with official excuse).

Term Projects

The class will be divided into 8 groups (or more depending on the total section size). Each group must research a specific topic and write a report and present their findings in class (in max 30 minutes). The reports must be submitted BOTH via email to lecturer and by uploading it into the IVLE project folder. No late submissions are accepted which means that group members receive zero credit for project.

- 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:

Students on the first come first serve basis can choose from 8 topics for projects. The lecturer will intervene to ensure even distribution across groups. The presentations are scheduled throughout the semester, students need to ensure that they are available for the presentation.

Grading

Class Participation (online & in class)	20%
Term Project (presentations/critics)	30%
2 MC quizzes (each 10%), total	20%
Class test	30%
Total	100%

Students must follow official guidelines to request a grade review.

Exchange students should communicate with their home university to check whether the course is recognized for credit and read NUS orientation materials about the grading process and the grade review. For all admin and grade related issues students should contact their assigned coordinator in the Undergraduate office (BBA office, 2nd floor, Riady Mochtar Bldg).

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)		Book chapters	
Week	Topics	Mishkin & Eakin	Fabozzi et al.
1	Introduction to Financial Markets and Institutions * <i>FIs/ Ethics / Islamic finance</i> (class is Jan. 14, Saturday)	1 & 2 8, 9, 10*	1, 2-3,6-8
2-4	Financial Institutions, Bank Risk Management <i>Make-up lesson for CNY *</i>	17, 18, 19	4-5
5	Asset pricing – The role of interest rate In class Quiz (first MCQ/TF QUIZ 10% of grade)	3, 4, 5	9-10
6	Interest rates and debt market <i>Group 1 – Causes and treatment of bank failures</i>	14,11,12	10-12
<i>Recess week (18/02/2017 – 26/02/2017)</i>			
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		
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> The usual class is only half time during the week, Class test is scheduled Saturday for all sections		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 In class Quiz (second MCQ/TF QUIZ 10% of grade) <i>Presentations (Vote for best presentation if time permits)</i>	15, 16	30-31
13	<i>Group 7 – FOREX trading</i> <i>Group 8 – Recent currency crisis –US debt ceiling</i>		

* For the first week, there is an additional makeup class for students not being able to make it to usual class time, from 10:30 AM on Saturday, January 14. It is in the students' best interest to attend the first lecture if they want to have priority in picking their preferred topic for the project. Make-up lecture for the January 30 lesson in lieu for the Chinese New Year is scheduled for February 3rd evening.

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.

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. The welfare implication, such as societal cost of bailouts should be also discussed.</p>
2	<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>
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 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>
5	<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>
6	<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>
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> 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>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 too long, unclear or the content is incorrect, the group will be penalized. The lecturer may interrupt the presentation to clarify specific issues or correct the contents.</i> It is recommended that the presenters rehearse the presentation to ensure clarity and quality.</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/>