

Professor: Wei Xu
Classroom: C105
Meeting Time: T,F 1:30-3:20PM
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Financial Markets

Course Description:

The goal of this course is provide an introduction into the workings of financial markets. The course will discuss the basic role of financial markets, the types of financial assets and how they are traded. We will introduce a number of technical tools for valuing risk, pricing financial assets and creating portfolios. Finally, we will employ these insights to discuss issues of broader relevance for the macro economy, with special emphasis on the current financial crisis.

Required Textbook:

The main textbook for the course is "[Investments](#)" by [Zvi Bodie, Alex Kane and Alan J. Marcus, McGraw-Hill/Irwin](#), 9th edition (2010), ISBN 978-0073530703. This book is an excellent source of how modern financial markets work and explains the basic tools that financial economists use to analyze them. A large majority of the materials covered are also included in the 8th edition (2008), 7th edition (2006) or 6th edition (2004) of the book, which are more affordable.

Course Web Page

<http://cms.pkusz.edu.cn/claroline/course/index.php?cid=001>

Please make sure to enroll to the website online asap in order to access to course materials. The enrolment key: FinancialMarket_2013

Lecture notes will be posted the night before the class. You are supposed to download and bring your own copy.

Composition of Grade:

40 % Class project

~Material preparation 10 points

| | |
|-----------------|-----------|
| ~Presentation | 10 points |
| ~ Reports | 20 points |
| 60 % Final exam | |

There will be no opportunities for extra credit. If at any point during the semester you face circumstances which prevent you from attending lecture, making presentations and/or participating in exam, please contact me as soon as possible to discuss ways to manage the situation. There is little that can be done after an unsatisfactory grade has been assigned.

Project:

One of the main goals of our class is to promote self-learning, problem solving and team work. These are vital skills for your future success. To achieve this goal, I will assign team of 4-6 to prepare a class project on a pre-specified topic. The class project will account for a considerable portion (40%) of your final score.

Nature of the project

Each team will be assigned to a different topic closely related to current economy and the class material. You are expected to do independent research on the topic from various sources such as library publications, internet, and collect data if necessary. Presentations will be start at week 4 and last until the end of the module. However the project will progress throughout the whole course. The teams will be assigned based on a random selection, and your presentation score will be given based on your presentation skill but not on the content. Your final project includes a final report (in word document), and a revised power point presentation which should be turned in electronically on or before the last day of week 9.

Team management

Team will be selected to mix students with different gender, school and your undergraduate major. Working with team is essential. Once the team is assigned, there should be no change in the team member. And each team should figure out a way to manage to the best effect. I will not interfere with work load assignment or how you interact with other members. But free-riding is not allowed. This means that you have to reach an agreement beforehand regarding how to work on the project. For any member who does not do his/her part, you should make sure to report that to me, this member will not get the score for the group project which means he/she will fail this class.

Requirement for final report

The final report should have two documents one is English and one in Chinese. All information cited should have a footnote to show the source (publication, book, or web address) which will allow me to verify and trace the authenticity. The reports should be concise and well written; the length should be 10 to 20 pages (on A4 letter, double space, font size 12). Charts and table should be in the appendix and do not count for pages.

Language and Dressing Code

Presentation and power point are all in English. I require all the members of the presentation team no matter speaking or not to dress formally on the day of the presentation. Violation will be considered as lack of proper business etiquette and presentation points will be deduct accordingly.

Problem Sets:

I will select a few problems on the text book each chapter as suggested problems. You are welcome to do more if you need more practice. Solutions for the whole chapter will be posted.

Final Exam:

If you fail to take the exam, you will receive a zero score, no exception will be made.

You are responsible for all material in the relevant chapters of the textbook (see below), for the topics we discussed in our financial news analysis and for what were covered in my lectures. If you miss any lectures, please make sure that you copy the notes of one of your colleagues.

Course Evaluations:

At the end of the semester, please let me know what you liked and what you disliked about this class by taking advantage of the University's course evaluation system. I really appreciate your feedback – incorporating your suggestions will help me in updating the course for future generations of students.

Tentative Course Outline (details will change over the course of the semester):

| Week | Date | Topics | Textbook | Notes |
|-------------|-------------|----------------------------------|-----------------|--------------|
| 1 | | Introduction | Ch. 1 | |
| | | Money and Bond Markets | Ch. 2 | |
| 2 | | Equity Markets | Ch. 2 | |
| | | Security Trading | Ch. 3 | |
| | | Mutual Funds | Ch. 4 | |
| 3 | | Risk/Return in Financial Markets | Ch. 5 | |
| 4 | | Dealing with Risk | Ch. 6 | |
| | | Diversification | Ch. 7 | |
| 5 | | | | |
| 6 | | Efficient Markets Hypothesis | Ch. 11 | |

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|---|------------------------------------|--------|
| | Bond Prices and Yields | Ch. 14 |
| 7 | Mortgages | - |
| | Term Structure of Interest Rates | Ch. 15 |
| 8 | Options | Ch. 20 |
| | Futures and Swaps | Ch. 22 |
| 9 | Futures, Swaps and Risk Management | Ch. 22 |