

## FIN 3103A - Financial Markets

Semester II. 2017/2018 (January 2018 – April 2018)

---

<i>Instructor</i>	Dr. Zsuzsa R. Huszár
<i>Class locations</i>	TBA
<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>	<p>The objectives of the course are to gain an understanding of:</p> <ul style="list-style-type: none"><li>▪ the local Singaporean financial market and financial institutions in the context of Southeast Asia;</li><li>▪ the functioning of financial centers/markets in Asia, in the U.S. and in Europe (including stocks markets, debt markets and forex);</li><li>▪ the different financial assets and services offered by the different types of financial institutions;</li><li>▪ the use and valuation of different financial assets traded on local and global financial markets (e.g., equities, bonds, and currencies).</li></ul>
<i>Course textbooks:</i>	<p>(1) “Financial Markets and Institutions” by Mishkin and Eakin, 8<sup>th</sup> Global Edition, Pearson Education.</p> <p>(2) “Foundation of Financial Markets and Institutions” by Fabozzi, Modigliani, and Jones, 4<sup>th</sup> ed. Pearson Education</p> <p>(3) “Investment Management” by Saw Swee-Hock, 4<sup>th</sup> Ed. Pearson Prentice Hall. The purchase of (1) or (2) is strongly recommended.</p>
<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. Students missing more than two classes can be penalized and/or fail the entire module.
<i>E-mail</i>	All important announcements are posted on IVLE, disseminated by email and also on facebook. A class facebook page is maintained, which students can join by sending a friend request to <a href="https://www.facebook.com/zsuzsar.huszar">https://www.facebook.com/zsuzsar.huszar</a> . <i>FRIEND REQUESTS</i> are ONLY accepted if you also send a private message including your name and mention the class section to validate your request. Of course students who wish to protect their privacy can abstain from FB and 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 (Students should acknowledge that to ensure fair treatment and minimum information leakage the quiz questions are different in each). The lecturer provides relevant formulas on the test paper. **As test papers are 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 will receive zero credit. Plagiarism and cheating may result in failing the class and probation. Students should ensure their availability for test dates and presentations upon signing up for the course because no makeup tests will be arranged without official excuse.

## Term Projects

The class will be divided into groups of 4-5 students. 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 and by uploading it into the IVLE project folder. Late submission can result in all group members receiving zero credit for the project. Each group has to prepare 5 online quiz questions (on kahoot.it or in IVLE) for their classmates based on the project content. The quiz is to be administered in class or online and responses count toward class participation grade.

- 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.

Also each group is required to submit a 1-2 page long critic via EMAIL TO the lecturer not to be uploaded on IVLE (within 3 days of the presentation, which critic has to be based on the report) on the assigned pair group as defined below:

*Group 8 is assigned to review Group 1. (due 3 days after presentation)*  
*Group 7 is assigned to review Group 2. (due 3 days after presentation)*  
*Group 6 is assigned to review Group 4. (due 3 days after presentation)*  
*Group 5 is assigned to review Group 3. (due 3 days after presentation)*  
*Group 4 is assigned to review Group 7. (due 3 days after presentation)*  
*Group 3 is assigned to review Group 8. (due 3 days after presentation)*  
*Group 2 is assigned to review Group 5. (due 3 days after presentation)*  
*Group 1 is assigned to review Group 6. (due 3 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 MCQ quizzes (each 10%), total	20%
Class test	30%
<hr/> Total	<hr/> 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, 2<sup>nd</sup> 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 Financial Institutions <i>FIs/ Ethics / Islamic finance</i>	1 & 2 8, 9, 10*	1, 2-3,6-8
2-4	Financial Institutions, Bank Risk Management <i>Basel I, II, III, Dood-Frank Act</i>	17, 18, 19	4-5
5	Asset pricing – The role of interest rate <b>In class Quiz (first MCQ/TF QUIZ 10% of grade)</b>	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 (24/02/2018 – 4/03/2018)</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 stock markets		
9	Stock markets, types of markets <i>Group 4 –US/European stock markets</i> <i>Group 5 – Asian stock markets</i> <b>The usual class is only half time during the week, Class test (30% of grade) time and location are TBA</b>		12-13
10	Review of equity assets and introduction to derivatives		
11	Derivatives: options, futures and forwards, and swaps <i>Group 6 – Derivatives market</i>		28-30
12	FOREX market (usual class time) – half time <b>In class Quiz (second MCQ/TF QUIZ 10% of grade)</b> <i>Presentations (Vote for best presentation)</i>	15, 16	30-31
13	<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), Chapters 20, 21, 22, 26 and 27 on Mutual Funds, Insurance Companies, Investment Banks, Savings Associations and Finance companies, are also covered in the tests and quizzes. Some of these chapters are available online from the publisher's website.

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 recent 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 the corporate debt market (size, development, etc) and discuss privately and publicly traded debt instruments. With examples, review companies, individuals and governments’ fund raising process. How these entities borrow funds, from whom and in what contractual agreements... Also discuss the investors’ view, specifically the major risks/costs in investing in debt assets.</p>
3	<p><i>Group 3 – Singapore government and corporate debt market (both private&amp;public)</i>            Compare the government and corporate debt market (size, development, etc). Which groups/institutions invest in the government market and the corporate debt assets and why? What are the new debt assets or fund raising avenues with the proliferation of fintech? How does the formally organized and informal debt markets serve the economy? Include both privately and publicly traded debt instruments in the discussion.</p>
4	<p><i>Group 4 – US/European stock markets- major traded assets</i>            Discuss the functioning and the role of major European and U.S. stock markets (e.g., Euronext-NYSE, OMX-NASDAQ, LSE or Deutsche Burse). What is a stock exchange today, given the proliferation of asset classes listed on the exchanges? Document recent trends with the rise of algorithm trading, rise of off-exchange trading venues, and the rise of BATS exchanges (read the <i>Flash Boys: A Wall Street Revolt</i> for 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, Singapore). What is the future of national exchanges in Asia?. What is the role of an exchange in the economy and how that role is fulfilled in developing Asian Economies? What are the key assets besides stocks on the exchanges? How do you see the future of Asian exchanges?</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? Focus on USD and EUR as the base currencies.</p>
8	<p><i>Group 8 – Recent currency issues: The rise of Crypto (currencies)</i>            Discuss the past, present, and future of Chinese Yuan. What is the role of China in the currency market and what is the future of the Chinese Yuan (offshore/onshore market)? What will be the role of crypto currencies, as a medium of exchange, in investment and in speculation in the years to come?</p>
Guidelines	<p>The length of the project is max 15 pages while the presentation is max 30 slides. Video/movie is NOT recommended. Groups with presentations which are too long or inaccurate will be penalized. The lecturer may interrupt the presentation to clarify specific issues.</p>

## ACADEMIC HONESTY & PLAGIARISM

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The National University of Singapore (NUS) and the NUS Business School (The University and the School, hereafter) expect every student to uphold academic integrity and honesty at all times (Students agree to this by accepting the NUS Honour Code issued by the Registrar's Office. 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). Students have the obligation to make clear to the assessor which is their own work, and which is the work of others. Otherwise, assessor are 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, students should consult the 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/>