

NATIONAL UNIVERSITY OF SINGAPORE

Department of Finance

FIN3103B/FIN3703B: Financial Markets

(Semester I, 2019/2020)

This version: 26th June 2019

Course information

Section B1: Wednesday 8:30am to 11:30am, BIZ2-0201

Section B2: Thursday 8:30am to 11:30am, BIZ1-0305

Section B3: Thursday 12pm to 3pm, BIZ2-0509

Instructor information

Instructor: Tianyue Ruan

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Office hour: Wednesday 2 pm to 3:30 pm, or appointment through an online meeting scheduling tool to be announced in class.

Course Objective

This course is designed to give students a general understanding of the different financial markets and institutions. We will also discuss the financial assets traded in these markets, the financial services and instruments these institutions offer, and the mechanisms and characteristics influencing the value of these assets and instruments. Some of these details can be country specific. For the topics whose cross-country differences are important, we will combine a generic description that apply internationally with context-specific discussions focused on Singapore, the U.S., and China.

By the end of the module, students should be able to:

- Distinguish different financial institutions and their roles and activities
- Identify the key features of the main financial markets and the financial assets traded in these markets
- Perform quantitative analysis on valuation, trading strategies, and risk management for the major classes of financial assets
- Demonstrate a sense of appreciation of the limitations and challenges a financial analyst faces when s/he applies the theoretical framework of finance to real world problems
- Critically evaluate the financial regulatory frameworks and construct cogent arguments on the on-going policy debates
- Search, filter, and analyse information on current issues and developments in financial markets

Prerequisites

FIN2004/FIN2704/FIN2004X/FIN2704X Finance

Textbook and Slides

Copies of the presentation slides used in class will be posted on LumiNUS. The slides will be PDF files. You will need a PDF reader such as Adobe Acrobat Reader to view and print them. Adobe Acrobat Reader is free software and may be downloaded from <http://www.adobe.com/sea/>.

The lecture slides are self-contained. Thus, no textbook is required. For those of you who wish to use a textbook in addition to the slides, I recommend that you use “Financial Markets and Institutions” by Frederic S. Mishkin and Stanley G. Eakins (2018, 9th edition, Pearson). You can also use earlier editions of the textbook. The relevant chapters for the lectures are indicated in the course schedule. This textbook can be used as background reading for those of you who wish to read ahead of the lecture or dig deeper into the material.

Assessment

This is a 100% continuous-assessment (CA) course. The composition of CA components is listed below. Students who miss any CA component will receive a zero mark for that component. Exceptions will only be granted according to NUS policies and will require formal verification of the reason for absence by the BBA Office. In such exception cases, a substitute form of assessment may be given.

| | |
|---------------------|------------|
| Test 1 | 30 |
| Term project | 30 |
| Test 2 | 25 |
| Class participation | 15 |
| Total | 100 |

Tests: There are two tests in this course. Each test consists of a combination of True/False questions, multiple choice questions, and structured questions.

Test 1 is a 90-minute closed book test, scheduled on 12th October 2019 (Saturday). Students from all three sections will take the test at the same time. The exact time and venue of Test 1 will be announced in class.

Test 2 is a 75-minute closed book test, scheduled in the usual class time in the last week, that is, morning on 13th November (Wednesday) for Section B1, morning on 14th November (Thursday) for Section B2, and noon time on 14th November (Thursday) for Section B3. The venue of Test 2 will be announced in class.

Students are to make sure that they are available to sit for both tests. In both tests, students can bring non-graphing, NUS-approved calculator(s). Be sure that you know how to use your calculator before you take the tests. Calculator user manuals are not allowed in the tests. Test proctors (myself included) are not expected to know how to use your calculators.

In principle, there is no make-up test for both Test 1 and Test 2. Exceptions will only be granted according to NUS policies and will require formal verification of the reason for absence by the BBA Office. In such exception cases, I will arrange for a make-up test.

Both tests are graded according to a grading schedule, which awards points for completing specific steps of a question and deducts points for mistakes. The grading schedule is used to ensure that all students are treated fairly. In case you feel that your test is not graded fairly, you may submit your request for a re-grading to me in writing. All requests must be made within one week of the date the test material is returned in class. Requests for a re-grading must include a written description of why you feel you are entitled to more. Your entire test will be re-graded, your score can go up or go down, and you will receive a written reply from me explaining why changes are made or not made. I am tough on re-grading, because otherwise the system will reward the complainers and penalize those that spend their time in more productive ways. If there is a tallying mistake, let me know and I will be happy to review the tallying and make correction accordingly.

Term Project: The term projects will be in the form of Student Teaching Assignments. The objective of the project is to allow students to research into issues and questions related to the topics covered in the course and to share the knowledge they have acquired with the rest of the class. Students will be grouped randomly. The research questions and the date of the presentation will also be randomly assigned. Groups will be graded based on a written report (due on 5th October) and the presentation (which will be spaced out throughout the last weeks of the semester). All soft copies of the projects will be put up in the LumiNUS and the material covered in these reports may be included in Test 2. More details of the term project, including topics, grouping, and assessment criteria will be announced in class. The project report must be submitted by the relevant due date as a single file. If multiple files are submitted, only the last updated file will be graded. Late group projects will be penalized by 20 percent per day, additive (rather than multiplicative, e.g., 2 days late = 40% total penalty, not 36%).

Class Participation: Your presence and participation in class are essential for gaining mastery of the material. I will observe student participation in the course and reward students who make a substantial effort. Simply attending classes is a necessary condition, but not sufficient to receive a favorable class participation grade. In evaluating class participation, I will take the following into account: results of random attendance checks; quality and quantity of participation in classroom discussion; occasional in-class quizzes and mini-case analysis responses; classroom civility (please see the “Classroom Civility” section below for more details). You can improve your participation grade considerably by coming to class prepared. Points awarded are at my discretion and are based solely on my opinion of your efforts and your contribution to class discussions. These points are not automatically given, but must be earned. They are not subject to negotiation.

Classroom Civility

Your behaviors should respect your classmates’ desire to learn. Each lecture begins and ends exactly on time. Because of the classroom layout, it is disruptive no matter how quiet you are if you come in late. During the lecture, disturbing the class by chatting with your neighbors or using audible electronic devices will not be appreciated. Repeated transgressions will be reflected in the classroom participation mark.

Communication

The preferred way to communicate with me is email. I respond to emails during normal business hours, i.e. 9 am to 5pm from Monday to Friday.

For consultation scheduling, we will use an online meeting scheduling tool (details to be announced in class) to streamline the process. In general, you can stop by my office anytime. In the event that you come to my office without an appointment, I reserve the right to ask you to come back some other time or even some other days. In order to ensure that I am available for consultation, I recommend that you use the online meeting scheduling tool to arrange an appointment.

We will use the forum on LumiNUS for class discussion. Rather than emailing questions to me, I encourage you to post your questions on Piazza so that you can get help fast and efficiently from your classmates and me.

Students are encouraged to always send me comments and suggestions that may help the class to learn better. Students are expected to check LumiNUS weekly for announcements.

Stay up-to-date

Students are encouraged to follow financial and economic news covered in the Financial Times, the Wall Street Journal, the Economist, or the Business section of the Straits Times.

Special note on ACADEMIC HONESTY & PLAGIARISM from the BBA Office

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & 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 testinations/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/>

Tentative Course Schedule:

The tentative schedule of topics by class is given below. (The chapter numbers referred to below are the chapters from the textbook.) We will attempt to adhere to this schedule as much as possible, but the actual classes may slow down or speed up depending on how comfortable everyone is with the pace of lectures.

| Week | Week Starting (Sunday) | Topic and Activity | Chapters |
|-------------|-----------------------------------|--|------------------|
| 1 | Aug 11 | Introduction and Financial Institutions | 1, 2, 7-8, 20-22 |
| 2 | Aug 18 | Introduction and Financial Institutions | 1, 2, 7-8, 20-22 |
| 3 | Aug 25 | Banks and Risk Management | 9, 17-19, 23 |
| 4 | Sept 1 | Banks and Risk Management | 9, 17-19, 23 |
| 5 | Sept 8 | Interest Rates and the Debt Market | 3-5, 11-12 |
| 6 | Sept 15 | Interest Rates and the Debt Market The Equity Market | 3-5, 11-12 13 |
| | Sept 22 | Term Break | |
| 7 | Sept 29 | The Equity Market | 13 |
| | | Oct 5: Term project report due | |
| 8 | Oct 6 | Review (optional) | |
| | | Oct 12: Test 1 | |
| 9 | Oct 13 | The Foreign Exchange Market | 15-16 |
| 10 | Oct 20 | Test 1 Review <i>Project Presentations 1, 2, 3</i> | |
| 11 | Oct 27 | The Derivatives Market <i>Project Presentations 4, 5, 6</i> | 24 |
| 12 | Nov 3 | The Derivatives Market <i>Project Presentations 7, 8</i> | 24 |
| 13 | Nov 10 | Test 2 | |