

MN10403: Financial Markets International Context Spring 2011.

The purpose of this unit is to give you an understanding of the financial markets and institutions, both from a theoretical and practical real-world viewpoint.

Lecturers:

- Dr Richard Fairchild
Office hour: Tuesday 1.15 – 2.15pm
Office: Wessex House 8.52
Email: mnsrf@management.bath.ac.uk
- Dr XiaoHua Chen
Office hour: Thursday 3.00 – 5.00pm
Office: Wessex House 9.45
Email: x.chen@bath.ac.uk

Seminar teacher:

Mr Abdullah AL-Ghazali
Office hours: Tuesday 3-4 pm
Office: Wessex House 8.30
Email: amaag20@bath.ac.uk

Required Textbooks:

- Peter Howells and Keith Bain, *Financial Markets and Institutions*, 5th Edition, Prentice Hall, 2007. (Henceforth, HB)
- Frederic S. Mishkin and Stanley G. Eakins, *Financial markets and Institutions*, 6th Edition, Pearson Prentice Hall, 2009. (Henceforth, ME)

Complementary reading:

- Peter Howells and Keith Bain, *The Economics of Money, Banking and Finance*, 4th Edition, Prentice Hall, 2008. (Henceforth, HBE)
- Peter S. Rose and Milton H. Marquis, *Money and Capital Markets: Financial Institutions and Instruments in a Global Marketplace*, 10th International Edition, McGraw-Hill Irwin, 2009. (Henceforth, RM)

Students are encouraged to have their own required textbooks. For complementary reading books, you can borrow them from library, and we will try to make certain chapters an electronic copy and put it on Moodle.

Richard Fairchild will present the lectures for the first 6 weeks of the unit, which will be based on chapters 1-6 of the Howells and Bain textbook. XiaoHua Chen will present the lectures for the second 6 weeks of the unit, which will be based on the Mishkin and Eakins book. The idea behind the two textbooks is that the first one is

very much based around UK institutions. The latter book is based around US institutions, with their subtle differences compared to the UK. Both books provide excellent coverage of the theory, and complement each other by focussing on different aspects. Therefore, the two books taken together will give you excellent grounding for the remainder of your degree studies.

Assessment will be by Coursework and Exam. The coursework will count for 30% of the marks, and the exam will count for 70% of the marks.

The coursework will consist of an individual essay of maximum 3000 words (see below for essay list).

The Exam is a 2-hour closed book exam; consisting of the following:

Section A: Essay Section (Answer 2 from 5 questions: Each essay is worth 35 marks).

Section B: Numerical Section (1 compulsory question: worth 30 marks).

Lecture structure:

Lecture	Week Commencing:	Lecturer	Topic	Chapter
1	7/2/11	RF	Introduction to the Financial System	1
2	14/2/11	RF	The Financial System and the Real economy	2
3	21/2/11	RF	Deposit-taking Institutions	3
4	28/2/11	RF	The Money Markets	5
5	7/3/11	RF	The capital markets 1	6
6	14/3/11	RF	The capital markets 2	6
7	21/3/11	XC	The foreign exchange market	Will be posted on Moodle one week before the lecture.
8	28/3/11	XC	The derivatives markets – Financial futures	
9	4/4/11	XC	The derivatives markets – Options	

10	11/4/11	XC	The financial institutions	
11	18/4/11	XC	The regulation of financial markets	
	Easter vacation			
9/5/11	Revision	RF/XC		

In addition to the lectures, there will also be weekly seminars, commencing in the second week of the semester. The teaching assistant is Abdullah Al-Ghazali. You will be set weekly exercises to complete at home, and Abdullah will go over the answers, and give you guidance and advise, in the following seminar.

The exercise schedule is as follows:

Week Commencing	Textbook	Chapter	Exercises
14/2/2011	Howells and Bain	1	1.1, 1.2
21/2/2011	HB	2	2.1, 2.2, 2.3
28/2/2011	HB	3	3.1, 3.2.
7/3/11	HB	5	5.1, 5.2, 5.3
14/3/11	HB	6	6.2, 6.3
21/3/11	ME		Will be posted on Moodle one week before the seminar.
28/3/11	ME		
4/4/11	ME		
11/4/11	ME		
18/4/11	ME		

You will be required write one of the following essays (which counts for 30% of the overall course-mark): Maximum 3000 words:

1. “A main function of the financial system is that it transfers wealth efficiently from lenders to borrowers, thus enabling great wealth-creation in the economy” Discuss this statement, with particular reference to asymmetric information and moral hazard.
2. Discuss the role of the Bank of England in the UK banking system.
3. Discuss the factors that affect the behaviour of security prices.

4. Outline briefly the determinants of foreign exchange rates in the long-run and short-run. Explain these determinants in the context of speculative attacks that occurred against the British pounds in 1992 and the Thai baht in 1997.

I will allocate your essay to you at the second lecture. The deadlines for the essays are as follows:

Essay 1: 7th March 2011.

Essay 2: 14th March 2011.

Essay 3: 28th March 2011.

Essay 4: 11th April 2011.

You are required to hand in your essay to the School office by 3pm on the deadline day.

RF/XC January 13th 2011.