FIN330 Financial Markets and Institutions Syllabus

Instructor:  Professor Dayong Huang  
Room:  
338 Bryan  
Phone:  336-256-0124  
Email:  d_huang@uncg.edu  
Office Hours:  TTh 10:50-12:20 or by appointment

Course Description

Overview:

This course is intended to help you understand the role of financial institutions and markets play in the business environment that you will face in the future. It also helps you to develop a series of applications of principles from finance and economics that explore the connection between financial markets, financial institutions and the economy. On the financial markets side, we will learn the term structure of interest rates, stocks, principals of derivatives, and currencies. On the institutions side, we will learn commercial banks, investment banks, insurance companies, mutual funds, the Federal Reserve Systems and their role of in the economy. On the theory side, Keynesian ISLM theory provides you a simple analytical framework to study the interaction of individuals, firms, governments, markets and the aggregate economy.

Learning Outcome:

Upon finishing the course I expect you to be able to

1. show what drives the term structure of interest rates.  
2. explain the way investment banks and mutual funds operate.  
3. discuss the stock valuation based on fundamental analysis.  
4. read a bank’s balance sheet and discuss how risks are managed in banks.  
5. know some histories of the insurance industries and know how they operate.  
6. grasp the basic features of options and futures and understand how they can be used in the financial markets and by various institutions.  
7. know the main functions of the Fed and talk about how money is being crated and the tools Fed uses to affect money supply.  
8. talk about how the value of a currency is determined in the short run and long run.  
9. talk about the evolution of exchange rate history, and the central bank intervention in the currency market, both unsterilized and sterilized.

Textbook Required:

Grading:

There will be 3 exams. They are equal weighted and 80% of your grades. The exams will be in terms of multiple choices questions. Final is cumulative. Exam dates are:
Exam 1, 02/16/2010, Tuesday
Exam 2, 03/25/2009, Thursday
Final, 05/08/2010, 12:00–3:00 P.M. Saturday

For all tests, you need to choose the best answer if questions are multiple choices questions. And you need to show your steps and all the details if questions are essays or problems.

Pop quizzes are 5% of your grade. It is designed to test your understanding in class.

Team projects and presentations are 15% of your grade. You need to pick a topic or come up with a topic related to financial markets and institutions, economics or finance and conduct serious research on the issue and present your results to the class. The presentation dates will be assigned later in class and it will be around 25-30 minutes for each presentation.

Suggestion:
Each team should select two to three speakers as representatives to present their work.
You should use figures and numbers all the time.
Too many words on one slides is a bad idea.
Do not have more than 15 slides.
Presenters need to talk, not read.

You are graded on the following aspects of your project: Novelty of the idea, and depth of your research, and clarity of presentation. You need to keep me posted on your progress. Below is an example of eligible topics:

   Discuss the events, causes and consequences of three crises in the US history. What do we learn? Why those Banking Acts?
2. Green Energy Industry, solar, wind, hydrogen, etc…history, government help, prospect, companies in this sector.
3. Exchange rate History and Currency Crisis.
   How does exchange rate system evolve over time and why? How do hedge funds speculate on currencies and the big stories.
4. The Investment Banking Industry.
5. IMF and the World Bank
   Why them? What do they do and what have they done? Their future.
6. Role of Non-bank Finance.
   Talk about insurance companies and what they do in detail, AIG, FNM and FRE
7. Pension fund, Mutual Fund and Hedge Fund
   This one should be exciting.
8. Comparison of the financial systems in various countries.

You need my consent if you are going with your own idea, you need to convince me that it is interesting and worth everybody’s time.

A mid-report or a detailed proposal is due by 03/02/2010, Tuesday. It should be 5 pages and tell me in detail your plan.

In the plan, you need to show me a guideline, the contents that you will cover, where to find the information, and some primitive results.

The final report should be 10-15 pages double spaced. It is due on your presentation date.

Makeup Exam Policy:

No makeup exams. Makeup will only be provided under extreme situations such as being hospitalized with documented proof from the university.

Attendance Policy:

Choose a seat you want to sit on the second day of the class and that helps me to learn your name with my seating chart. I expect you to attend each class. I will keep your attendance record.

For each three classes you miss, your grade will be lowered by one grade, for example, going from B- to C+. If absences are substantial, your grade is Fail.

Grading Scale will be as follows:

- 98%-100% = A+
- 92%-97.9% = A
- 90%-91.9% = A-
- 88%-89.9% = B+
- 82%-87.9% = B
- 80%-81.9% = B-
- 78%-79.9% = C+
- 72%-77.9% = C
- 70%-71.9% = C-
- 68%-69.9% = D+
- 62%-67.9% = D
- 60%-61.9% = D-
- Below 60% = F
Note that a grade of Ds is not an option for a graduate student by the policy of the graduate school.

**Expectation:**

I expect you to:
1. Show up.
2. Read book before you come to class and be prepared to ask and answer questions.
3. Spend 3-5 hours outside class on the subject each week.
4. See me ASAP if you have problems.
5. Work hard and show respect to class.

The university and Bryan School has detailed code on student conduct. See the following links:

[www.uncg.edu/bae/faculty_student_guidelines.pdf](www.uncg.edu/bae/faculty_student_guidelines.pdf)

The minimum sanction of violating the policy is a grade of “Fail” for the class.

**Tentative schedule**

**Topics**

Types of financial institutions (Ch2)
Bonds and Term Structure (Ch6)
Stocks (Ch7)

**Exam 1**

Banking (Ch9)
Futures and Options (Web Handout)
Nonbank Finance (Web Handout)

**Exam 2**

Federal Reserves System (Ch 13, 14, 15)
Currency (Ch 17)
Intervention in the Currency Market (Ch18)
ISLM (Ch23)

**Final**