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 10:30-11:45 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.

Learning Outcome:

Upon finishing the course I expect you to be able to

1. discuss theories that underneath the term structure of interest rates.
2. discuss efficient market hypothesis related to stock pricing.
3. understand a stylized bank’s balance sheet and discuss how risks are managed in banks.
4. discuss facts of the insurance business, mutual funds and investment banks.
5. grasp the basic features of options and futures and understand how financial institutions use them for risk management.
6. discuss the main functions of the Fed and tools they use to affect the economy.
7. know how currency value is determined the short run and long run.
8. know exchange rate system history, and the central bank intervention in the currency market, both unsterilized and sterilized.

Textbook Required:

ISBN-10: 0321598911

**Grading:**

There will be 3 exams. They are equal weighted and 72% of your grades. The exams will be in terms of multiple choices questions. Final is cumulative. Exam dates are:

- Exam 1, 02/08/2011, Tuesday
- Exam 2, 03/10/2011, Thursday
- Final, 05/03/2011, Tuesday 3:30–6:30 P.M.

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.

Attendances are 8% of your grade.

Team projects and presentations are 20% 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 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, China, etc.
   How does exchange rate system evolve over time and why? How do hedge funds speculate on currencies and the big stories, what happened around those major currency crisis.
4. Stock and inflation.
Conduct a serious study on how stock returns related to inflation in different time periods and different countries. Why??? Talk about theories.

5. Oil Prices and Oil Stocks.
   What factors determine oil price? Is oil price affecting oil stock prices? Discuss several major oil stocks (XOM, SLB) and relate their performance to oil price and other main factors.

6. Investment Banking.
   Study everything Goldman Sachs does.

7. Banking Stocks
   Study everything WFC and BAC do.

You need my approval 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 03/01/2010, 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. Excessive missing leads to a grade of “Fail” in this class.

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](http://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 (Ch4 5 6)  
Stocks (Ch7)

**Exam 1**

Financial Crises and the Subprime Meltdown(Ch9)  
Banking (Ch10)  
Nonbank Finance (Ch13)  
Futures and Options (CH14)

**Exam 2**

Federal Reserve System (Ch16, 17, 18)  
The Foreign Exchange Market(Ch20)  
The International Financial System(Ch21)

**Final**