

## COURSE DESCRIPTION AND OUTLINE

| Course information  |                                                                                                                                                                                                                                                                                                                                     |
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| <b>Name</b>         | Financial Markets                                                                                                                                                                                                                                                                                                                   |
| <b>Code</b>         | E000007119                                                                                                                                                                                                                                                                                                                          |
| <b>Degree</b>       | Business in Spain                                                                                                                                                                                                                                                                                                                   |
| <b>ECTS Credits</b> | 6                                                                                                                                                                                                                                                                                                                                   |
| <b>Type</b>         | Mandatory                                                                                                                                                                                                                                                                                                                           |
| <b>Department</b>   | Financial Management                                                                                                                                                                                                                                                                                                                |
| <b>Area</b>         | Finance                                                                                                                                                                                                                                                                                                                             |
| <b>University</b>   | Universidad Pontificia Comillas                                                                                                                                                                                                                                                                                                     |
| <b>Coordinator</b>  | Karin Martín Bujack                                                                                                                                                                                                                                                                                                                 |
| <b>Descriptor</b>   | This course allows students to understand how financial markets (such as bonds, stocks, derivatives and foreign exchange) work and affect the economy, other institutions, business profits and our daily life taking into account the impact of a digital environment. It allows students to be able to take investment decisions. |

| Professors information     |                              |
|----------------------------|------------------------------|
| Professor                  |                              |
| <b>Name</b>                | Luis Garvía                  |
| <b>Department</b>          | Financial Management         |
| <b>e-mail</b>              | lgarvia@icade.comillas.edu   |
| <b>Tutorials timetable</b> | To be announced in class     |
| Professors information     |                              |
| Professor                  |                              |
| <b>Name</b>                | Rui Pedro Garrudo            |
| <b>Department</b>          | Financial Management         |
| <b>Office</b>              | Gestión Financiera           |
| <b>e-mail</b>              | rpgarrudo@icade.comillas.edu |
| <b>Tutorials timetable</b> | To be announced in class     |

## SPECIFIC DETAILS OF THE COURSE

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| <b>CONTEXT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Contribution to the professional background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>On one hand, the course allows the student to gather the key concepts on financial markets, its products, pricing, risks and the market participants. This gives a practical support to be able to understand the financial information as well as to be able to work on financial markets. The students learn how to make investment decision applying theory to the real world according to their needs and the characteristics of the products and markets. In summary, the course provides the analytical skills to understand concepts related to the money market, the bond market, the foreign market, the stock market and the derivative markets.</p> <p>On the other hand, the course takes into account the impact of a digital environment on the functioning of the markets, on the valuation of the assets, on the different forms of negotiation and on the regulation.</p> |
| <b>Prerequisites</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| No formal requirements, however accounting and financial math knowledge would be useful.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Competences - Objectives</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Generic competences of the course</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Instrumental</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <ul style="list-style-type: none"><li>- Analysis and synthesis competence</li><li>- Problem solving and decision making capability</li><li>- Organization and planning capacity</li><li>- Ability to manage information from different sources</li><li>- Knowledge of IT related to the course</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Interpersonal</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <ul style="list-style-type: none"><li>- Interpersonal skills: listening, arguing and discussing</li><li>- Leadership and teamwork skills</li><li>- Critical and self-critical ability</li><li>- Ethical commitment</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Systemic</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <ul style="list-style-type: none"><li>- Ability to learn and work autonomously</li><li>- Ability to prepare and transmit ideas, projects, reports, solutions and problems.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Specific competences of the subject</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Conceptual</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| <ul style="list-style-type: none"> <li>- Knowledge and understanding of national and international financial markets and the financial system.</li> <li>- Learning the essential technical tools for the identification of business opportunities and decision making in the digital context.</li> </ul>                                                                                                                                                                                                                                                                           |
| <b>Procedural</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>- Ability to assess and analyze financial assets traded in different countries and markets.</li> <li>- Ability to analyze the public information of markets and companies for taking investment or financing decisions.</li> <li>- Ability to issue an investment recommendation to the market and investors</li> <li>- Handling of the massive disposition of data to work in new areas of professional development in the activities of investment banking, strategic consulting, auditing, analytical marketing, among others</li> </ul> |
| <b>Attitudinal</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <ul style="list-style-type: none"> <li>- Be willing to assume the functions of a financial advisor in the field of national and international financial markets</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                         |

## DETAILED COURSE INFORMATION

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| <b>COURSE CONTENT</b>                                                                                                                                      |
| <b>PART 1: INTRODUCTION TO THE FINANCIAL SYSTEM</b>                                                                                                        |
| <b>Chapter 1: Overview of the Financial System</b>                                                                                                         |
| 1.1 Introduction<br>1.2 Assets, markets and participants<br>1.3 Financial flows                                                                            |
| <b>Chapter 2: Central Banking and the monetary policy</b>                                                                                                  |
| 2.1 Central Banks: origins, structures and functions. The European Central Bank (ECB)<br>2.2 The Monetary policy instruments<br>2.3 Extraordinary measures |
|                                                                                                                                                            |
| <b>Chapter 3: Interest rates</b>                                                                                                                           |
| 3.1 Nominal vs. real<br>3.2 Yield to maturity<br>3.3 Spot rates                                                                                            |

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| 3.4 Forward rates                                                                        |
| 3.5 The yield curve                                                                      |
| 3.6 Hedging interest rate risk: FRA                                                      |
| <b>Chapter 4: Depositary Institutions: Banks</b>                                         |
| 4.1 Banking industry: structure and products                                             |
| <b>Chapter 5: Interbank markets</b>                                                      |
| 5.1 Introduction                                                                         |
| 5.2 The deposit market                                                                   |
| 5.3 The treasury bill market                                                             |
| 5.4 Repos                                                                                |
| 5.5 Commercial paper                                                                     |
| 5.4 The foreign exchange rate                                                            |
| <b>Chapter 6: Forex markets</b>                                                          |
| 6.1 Introduction                                                                         |
| 6.2 Structure: assets and participants                                                   |
| 6.3 Acquisition parity                                                                   |
| 6.4 Foreign exchange forward                                                             |
| <b>Chapter 7: Capital Markets</b>                                                        |
| 7.1 Introduction                                                                         |
| 7.2 The investing trinity: risk, liquidity and return                                    |
| 7.3 Introduction to Fixed-Income and Equity Markets                                      |
| <b>Chapter 8: Fixed income markets- The bond market</b>                                  |
| 8.1 Introduction                                                                         |
| 8.2 Public debt                                                                          |
| 8.3 Corporate debt                                                                       |
| 8.4 Credit rating                                                                        |
| 5.2 Bond prices and their relationship to interest rates                                 |
| 5.3 Macaulay Duration vs. Modified Duration                                              |
| <b>Chapter 9: The Stock Market</b>                                                       |
| 9.1 Introduction. Main characteristics and organization of the stock exchanges           |
| 9.2 The electronic trading system. Definition and types of stock orders and transactions |
| 9.3 Long vs short positions                                                              |
| 9.4 Capital increase and subscription rights                                             |
| 9.5 Initial Public Offerings (IPOs)                                                      |
| 9.6 Indexes of the stock market activity                                                 |
| <b>Chapter 10: Derivatives Markets</b>                                                   |

- 10.1 Recap of derivatives already discussed
- 10.2 Main features and classification
- 10.3 The Futures Market
- 10.4 The Options Market

## TEACHING METHODS AND STRUCTURE

### Teaching methods for the Financial Market course

This course requires the students attend the class sessions. There are regular teaching sessions, case study discussions and practical problems and questions. Active student participation is important. They are expected to read the assigned materials prior to the class, in addition to preparing the problems and case studies when appropriate.

| Teaching methods and activities when the student attends a class session                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Competences                                                                                                  |
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| <p>Regular teaching sessions where the teacher will define and explain the technical terms and analysis, giving examples and pointing at the issues that arise debate in the reality of the financial markets. The student should listen attentively, trying to understand the rational and ideas being explained. He is expected to take notes of the main contents to complement class material. Classroom discussion is encouraged, and students can interrupt the professor asking questions or requesting further clarification. Preparation prior to the class is essential to take the most of the teaching session.</p> <p>In addition to this, there are classes with a more active involvement from students. They will carry out activities and problems, supervised by the teacher, trying to apply in practice the theoretical content explained in class. During these workshops, problems are solved, case studies are discussed and news or reading material related to the topic are debated. Sometimes the work will be done individually, and sometimes the students will work as a team.</p> <p>A few sessions may be spent in talks or presentations from guests who are professionals from different areas related to Financial Markets.</p> | <p><b>Cognitive skills</b></p> <p><b>Interpersonal skills</b></p> <p><b>Attitude skills</b></p>              |
| Teaching methods and activities outside the classroom sessions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Competences                                                                                                  |
| <p>Besides taking part in class work and supervised workshops, the student needs to spend time revising individually the course material. Outside of the classroom, the student must read the materials assigned by the teachers, he also must work and solve problems and questions and look</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p><b>Systemic skills</b></p> <p><b>Practical and procedure skills</b></p> <p><b>Instrumental skills</b></p> |

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| for additional information when needed. |  |
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### ASSESSMENT AND EVALUATION CRITERIA

| Activities assessed                                                                                                                                                                                                     | Weight |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Classroom participation and discussions                                                                                                                                                                                 | 10%    |
| Practice cases, exercises, discussions and pitch presentations                                                                                                                                                          | 20%    |
| Other activities to evaluate the students' understanding and application of course material: Mid-term tests, Quizzes, Case Studies, Projects, Simulations and Trading Games, Research Papers, Homework Assignments, etc | 20%    |
| Final exam                                                                                                                                                                                                              | 50%    |

The final exam will have two parts: a theoretical part and a practical one. You must pass it with a score of, at least, 5.0 points to get the weighted grade and pass the course.

The students that have a formal exemption to attend class (including those who are studying abroad), the course grade will be 100% of the final exam grade.

In case a student fails, in the second or subsequent attempts, the grade will be 100% the final exam mark.

In order to be able to take the final exam, it is a requirement not to have unjustifiably missed more than a third of the classes. Failure to comply with this requirement, the student may lose the right of examination, as established by the faculty (Article 93.1 of the General Regulations).

### USE OF CHATGPT OR ANOTHER IAG

According to the General Regulations of the University, art, the improper use of ChatGPT or another IAG will be considered a serious offence. 168.2.e: "carrying out actions tending to falsify or defraud the academic performance evaluation systems." The consequences of this will be "temporary expulsion of up to three months or the prohibition to take the exam in the next call to the imposition of the sanction, in one or several subjects in which the student is enrolled, [...] apart from assuming the grade of fail (0) in the respective subject, [...] [and] the prohibition to take the exam in that subject in the next call." Specifically, in this subject, the teacher may allow the use of IAG for specific activities of the subject; the student is obliged to do the following:

- That the student clearly indicates why he has used IAG (ChatGPT). All content created with generative AI must be labelled as such. All content that uses generative AI and is adapted must be labelled as such and cited authors.

- It includes as additional material (annexes) the complete prompt (questions and answers) of your conversation with IAG (ChatGPT) to generate the task.

In case of not complying with the above obligations, the use of IAG by the student will be considered improper use for the purposes mentioned above.

| SUMMARY OF THE STUDENT EXPECTED WORKING HOURS |                                         |            |                                 |
|-----------------------------------------------|-----------------------------------------|------------|---------------------------------|
| Hours in classroom                            |                                         |            |                                 |
| Lessons                                       | Case study and problem solving sessions | Assessment |                                 |
| 40                                            | 30                                      | 10         |                                 |
| Hours outside the classroom                   |                                         |            |                                 |
| Individual work on theoretical knowledge      | Individual work on practical knowledge  | Group work | On-going revision               |
| 25                                            | 25                                      | 20         | Included in previous categories |
| ECTS CREDITS:                                 |                                         |            | 6                               |

## BIBLIOGRAPHY AND ADDITIONAL READING LIST

| Bibliography                                                                    |
|---------------------------------------------------------------------------------|
| Textbooks                                                                       |
| The teacher will provide the material to follow the course through Moodlerooms. |

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| Additionally, a variety of complementary material will be provided in class or through the course's website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Articles and news</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| A variety of material will be handed out in the classroom or through the course webpage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Web pages</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| ECB; BdE; CNMV; FED; Bolsa de Madrid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Notes</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| The student will be supplied with lesson notes and slides through the course webpage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Additional reading list</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>• On-going Academic Papers and news during the course</li> <li>• Bernanke, B. S., Geithner, T. F., &amp; Paulson Jr, H. M. (2019). Firefighting: the financial crisis and its lessons. Penguin.</li> <li>• Bodie, Zvi ; Kane, Alex and Marcus, Alan (2021). Investments. Ed McGraw Hill 12th Edition. ISBN13: 9781260013832</li> <li>• Brealey, Richard and Myers, Stewart (2012): Fundamentals of Corporate Finance., 7<sup>a</sup> edición. Ed. Mc Graw-Hill</li> <li>• He, M. D., Leckow, M. R. B., Haksar, M. V., Griffoli, M. T. M., Jenkinson, N., Kashima, M. M., ... &amp; Tourpe, H. (2017). Fintech and financial services: initial considerations. International Monetary Fund.</li> <li>• Hull, John: Fundamentals of futures and options markets (2017). Ed. Pearson. 9th editio</li> <li>• Keown, Art J.; Martin, John D.; Petty, John W. and Scott, David F. (2007): Foundations of Finance: The Logic and Practice of FinanceManagement. Ed. Prentice Hall</li> <li>• Lo, A. (2017). Adaptive markets: Financial evolution at the speed of thought. Princeton University Press.</li> <li>• Mishkin, Frederic S and Eakins, Stanley (2018). Financial Markets and Institutions. Pearson, 9th Edition</li> <li>• Mishkin, Frederic S (2014): The economics of Money, Banking, and Financial Markets Ed. Pearson. 10th edition. (some chapters)</li> <li>• Moral Bello, C.: Mercados Financieros. Edit. IT&amp;FI, Madrid, 2014.</li> <li>• Moral Bello, C.: Mercados Financieros III. Casos prácticos. Edit. IT&amp;FI, Madrid, 2011.</li> <li>• Nicoletti, Bernardo (2017) The Future of FinTech. Integrating Finance and Technology in Financial Services. Palgrave Studies in Financial Services Technology book series.</li> <li>• Saunders, A., Cornett, C., Erhemjamts, O. (2022) Financial Markets and Institutions, 8th Edition, Ed. Mc Graw-Hill. ISBN13:9781260772401</li> </ul> |