

COURSE DESCRIPTION AND OUTLINE

| Course information | |
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| Name | International Financial Markets |
| Code | |
| Degree | RITI |
| Year | 5º |
| Semester | 1º |
| ECTS Credits | 4.5 |
| Type | Discretionary |
| Department | Financial Management |
| Area | Finance |
| University | Universidad Pontificia Comillas |
| Teachers | Karin Martín Bujack |
| Descriptor | This course reviews the financial markets (such as bonds, stocks and foreign exchange) as well as their functioning, and how they affect the economy, other institutions, firms and our daily life. It allows students to understand how they work and the implication in the real world to be able to take or analyse investment decision. |

| Professors information | |
|-------------------------------|--|
| Professor | |
| Name | Karin Martín Bujack |
| Department | Financial Management |
| Office | |
| e-mail | kmartin@icade.comillas.edu |
| Phone | |
| Tutorials timetable | To be announced in class |

SPECIFIC DETAILS OF THE COURSE

| CONTEXT |
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| Contribution to the professional background |
| 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 to apply theory to the real world according to their needs and the characteristics of the products and markets. In addition, it covers preliminarily how the banking sector is organised and the main characteristics of the financial institutions as key parts for the development of the financial economy. 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. |

| Prerequisites |
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| No formal requirements, however basic knowledge on finance and general economy would be useful. |

DETAILED COURSE INFORMATION

COURSE CONTENT

Part 1: THE FINANCIAL SYSTEM

- 1.1 Overview
- 1.2 Financial assets, markets and participants
- 1.3 Regulation

Part 2: THE MONETARY POLICY WITHIN THE EMU

- 2.1 Principal functions
- 2.2 Instruments
- 2.3 Extraordinary measures over the recent crisis
- 2.4 Banking union in the EU

Part 3: INTEREST RATES

- 3.1 Nominal vs. real interest rates
- 3.2 Yield-to-maturity
- 3.3 Spot rates
- 3.4 Discount factors
- 3.5 Forward rates
- 3.6 Compounding
- 3.7 Yield curves
- 3.8 Hedging interest rate risk: FRA, IRS, CAP, FLOOR, COLLAR

Part 4: MONEY MARKETS

- 4.1 Introduction
- 4.2 Deposits
- 4.3 Repos
- 4.4 T-Bills
- 4.5 ECP

Part 5: CREDIT INSTITUTIONS IN THE EU

- 5.1 Overview
- 5.2 Solvency rules: Basel I, II, III

Part 6: CAPITAL MARKETS

- 6.1 Overview
- 6.2 The investing trinity: risk, liquidity and return
- 6.3 The know your client (KYC) rule

Part 7: FOREIGN EXCHANGE MARKETS (FOREX)

- 7.1 Introduction
- 7.2 Market structure: participants and products
- 7.3 Purchasing power parity
- 7.4 Forex hedging

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| Part 8: FIXED-INCOME MARKETS |
| 8.1 Introduction 8.2 Government securities 8.3 Corporate securities 8.4 Bond pricing theorems: duration and convexity 8.5 Credit ratings 8.6 Credit default swaps |
| Part 9: EQUITY MARKETS |
| 9.1 Introduction 9.2 Orders 9.3 Long and short positions 9.4 Share capital increase and subscription rights 9.5 IPOs 9.6 Take overs 9.7 Indices |
| Part 10: DERIVATIVES |
| 10.1 Recap of derivative products already discussed 10.2 Main features and classification 10.3 Futures 10.4 Options |

TEACHING METHODS AND STRUCTURE

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| Teaching methods for the International Financial Markets course | |
| <p>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.</p> | |
| Teaching methods and activities when the student attends a class session | Competences |
| <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. Students should listen attentively, trying to understand the rational and ideas being explained. They are 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 the financial</p> | <p>Cognitive skills Interpersonal skills Attitude skills</p> |

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| system, such as banks, funds, regulators... | |
| Teaching methods and activities outside the classroom sessions | Competences |
| 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 for additional information when needed. | Systemic skills Practical and procedure skills Instrumental skills |

ASSESSMENT AND EVALUATION CRITERIA

| Activities assessed | Weight |
|--|--------|
| Classroom participation | 10% |
| Practice cases and pitch presentations | 20% |
| Exercises and discussions | 20% |
| Final exam | 50% |

To pass this course it is necessary to pass the final exam, which will have two parts: a theoretical part and a practical one. You must reach at least a 5.0 to pass the exam and be able to calculate the weighted grade.

For students that have a formal exemption to attend class (including those who are on an exchange programmer 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.

| SUMMARY OF THE STUDENT EXPECTED WORKING HOURS | | | |
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| Hours in classroom | | | |
| Lessons | Case study and problem solving sessions | Assessment | |
| 30 | 20 | 4,5 | |
| Hours outside the classroom | | | |
| Individual work on theoretical knowledge | Individual work on practical knowledge | Group work | On-going revision |
| 24 | 15 | 15 | Included in previous categories |
| ECTS CREDITS: | | | 5 |

BIBLIOGRAPHY AND ADDITIONAL READING LIST

| Bibliography |
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| Textbooks |
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| Articles and news |
| A variety of material will be handed out in the classroom or through the course webpage |
| Web pages |
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| Notes |
| The student will be supplied with lesson notes and slides through the course webpage |

Additional reading list

Textbooks

- Hull, John: Fundamentals of futures and options markets (2014). Ed. Pearson. 8th edition.
- Keown, Art J.; Martin, John D.; Petty, John W. and Scott, David F. (2007): Foundations of Finance: The Logic and Practice of Finance Management. Ed. Prentice Hall
- Moral Bello, C.: Mercados Financieros. Edit. IT&FI, Madrid, 2014.
- Brealey, Richard and Myers, Stewart (2012): Fundamentals of Corporate Finance., 7^a edición. Ed. Mc Graw-Hill
- MISHKIN, Frederic S. (2014). The economics of Money, Banking, and Financial Markets Ed. Pearson. 10th edition.
- Sharpe, William; Alexander, Gordon; Bailey, Jeffery (1999): Investments. Ed. Prentice Hall 6th edition