

## COURSE DESCRIPTION AND OUTLINE

<b>Course information</b>	
Name	Financial Markets
Code	230
Degree	Bachelor's Degree in Business Administration and Management (E2-Bilingual Spanish English); E1, E3 & International courses
Year	3º
Semester	2º
ECTS Credits	5
Type	Mandatory
Department	Financial Management
Area	Finance
University	Universidad Pontificia Comillas
Teachers	Natalia Cassinello (Coord)
Descriptor	This course examining how financial markets (such as bonds, stocks and foreign exchange) work and affect the economy, other institutions, business profits and our daily life. It allows students to understand how they work and the implication in the real world to be able to take investment decision.

<b>Professors information</b>	
<b>Professor</b>	
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Tutorials timetable	To be announced in class

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<b>Tutorials timetable</b>	To be announced in class

## **SPECIFIC DETAILS OF THE COURSE COURSE**

<b>CONTEXT</b>
<b>Contribution to the professional background</b>
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.

<b>Prerequisites</b>
No formal requirements, however basic knowledge on accounting (First year), macroeconomics (First year) and finance (second year) would be useful.

## **DETAILED COURSE INFORMATION**

<b>COURSE CONTENT</b>
<b>PART 1: INTRODUCTION TO THE FINANCIAL SYSTEM</b>
<b>Chapter 1: Overview of the Financial System</b>
1.1 Function of Financial Markets and financial intermediaries (brokers, dealers & market makers)
1.2 Financial Market instruments
1.3 Understanding financial markets through the Financial Crisis (Subprime)
1.4 An overview of Financial Risks (NorthenRock case)
<b>Chapter 2: Central Banking and the monetary policy</b>
2.1 Central Banks: origins, structures and functions
2.2 The European Central Bank (ECB) and the Monetary policy
2.3 The creation of money: What is money?
2.3 Supply and demand: monetary base
<b>Chapter 3: The Money Markets</b>
3.1 Concepts and classes:
3.2 Understanding interest rates
3.3 The yield curve (risk and term structure)
3.4 Interbank market
3.4 Commercial paper and repos

<b>PART 2: BANKING INDUSTRY AND NONBANKING FINANCIAL INSTITUTIONS</b>
<b>Chapter 1: Depository Institutions: Banks</b>
1.1 Banking industry: structure and regulation 1.2 Banking products and regulation: Basel I, II, III 1.3 Solvency and liquidity ratios 1.4 The management of financial institutions 1.5 Evolution of the payment system
<b>Chapter 2: Other Financial Institutions</b>
2.1 Insurance companies 2.2 Mutual Funds
<b>PART 3: MARKETABLE SECURITIES AND FINANCIAL MARKETS</b>
<b>Chapter 1: Financial markets</b>
1.1 Types of markets and Regulation (Organized vs OTC; primary vs secondary market) 1.2 Equity securities; Debt securities; Forex and Derivatives
<b>Chapter 2: Fixed income markets- The bond market</b>
2.1 Relationship between interest rates and Bond prices 2.2 Valuating bonds. Interest Risk vs Cash flow risk 2.3 Bond markets in the real world. Understanding the newspaper information
<b>Chapter 3: The Stock Market</b>
3.1 The theory of rational expectations and the efficient Market hypothesis 3.2 Stock valuation: financial statement analysis- technical analysis 3.3 Main Behavioral Finance principles 3.4 Secondary markets: structure, trading and settlement
<b>Chapter 4: The Foreign Exchange Market</b>
4.1 Forex Exchange rates 4.2 Theory of Purchasing Power Parity 4.3 Arbitrage: Case study (equilibrium exchange rate)
<b>Chapter 5: The Derivatives Markets</b>
8.1 Futures: Swap, Fras and forward contracts 8.2 Options 8.3 Hedging and speculating with derivatives. - Case study: interest rate swap and FRAs

## TEACHING METHODS AND STRUCTURE

<b>Teaching methods for the Financial Market course</b>	
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.	
<b>Teaching methods and activities when the student attends a class session</b>	<b>Competences</b>
<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</p>	<p><b>Cognitive skills</b> <b>Interpersonal skills</b> <b>Attitude skills</b></p>

<p>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>	
<b>Teaching methods and activities outside the classroom sessions</b>	<b>Competences</b>
<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 for additional information when needed.</p>	<p><b>Systemic skills</b>  <b>Practical and procedure skills</b>  <b>Instrumental skills</b></p>

### ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation and discussions	10%
On-going assessments	40%
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 in each of these parts to average both and pass the exam.

The students that have a formal exemption to attend class (including those who are on an exchange programme 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			
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	25	1	Included in previous categories
ECTS CREDITS:			5

## **BIBLIOGRAPHY AND ADDITIONAL READING LIST**

<b>Bibliography</b>
<b>Textbooks</b>
MISHKIN, Frederic S. (2014). The economics of Money, Banking, and Financial Markets Ed. Pearson. 10 <sup>th</sup> edition.
<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>
<b>ECB; BdE; CNMV; FED;</b>
<b>Notes</b>
The student will be supplied with lesson notes and slides through the course webpage
<b>Additional reading list</b>
<b>Textbooks</b>
<ul style="list-style-type: none"><li>▪ Moral Bello, C.: Mercados Financieros. Edit. IT&amp;FI, Madrid, 2014.</li><li>▪ Brealey, Richard and Myers, Stewart (2012): <i>Fundamentals of Corporate Finance.</i>, 7<sup>a</sup> edición. Ed. Mc Graw-Hill</li></ul>