FINA 4400.002: Financial Markets and Institutions
Course Syllabus – Spring 2019

Class Meetings: 6:30 PM – 9:20 PM on Tuesdays
Classroom: BLB 170
Office Hours: 3:00 PM – 6:00 PM on Tuesdays or by appointment
Instructor: Mohammed Alhashim
Email: Mohammed.Alhashim@unt.edu (Preferred method of communication)
Office: BLB 313B

Note: Depending on the learning progress of the class and/or unexpected circumstances, I reserve the right to change items or rules on this syllabus. If there is any change, I will make an announcement in the class and post it on Canvas.

I. Overview

Course Objectives
Financial markets play a critical role in the efficient functioning of the economy. This course provides understanding of the fundamental principles that govern financial markets, the instruments that trade on them, and the financial and governmental institutions that use or support these markets. Topics to be covered include valuation of financial instruments, particularly those in the equity market, the bond market, the foreign exchange market, and the derivatives market; the relationships among financial institutions, monetary policy, and the stability of the economy in its entirety; and the development of financial regulations.

Prerequisites
Completion of FINA 3770 or a corporate finance course at the equivalent level with grade of “C” or above.

Required Materials (Textbook and Financial Calculator)

   a) Financial Markets and Institutions - 7th edition (Saunders and Cornett, McGraw Hill) is the required textbook.

   b) Texas Instrument BA II Plus financial calculator is recommended for time value calculations. A different model, such as HP 10BII, can also be used as long as it accommodates the lecture topics. However, you may not use a calculator that can display equations (i.e., a calculator with a display consisting of more than one row).

   c) Canvas will be utilized to post course materials, important announcements, and your exam scores.
II. Course Grade

Exams
There will be two mid-term exams and a comprehensive final exam, each of which will consist of multiple-choice and True/False questions. No reference sheet is allowed during an exam; the instructor will provide a formula sheet.

A student who must miss an exam due to a legitimate and documented reason will be allowed to take the exam early. However, no make-up exam will be given after the class has taken the exam.

Note: For multiple choice and True/false questions, only what is bubbled on Scantrons will be graded. It is the student’s responsibility to correctly transfer final answers onto Scantrons during exam.

After the Exam
I will post your exam score on Canvas once I finish grading. In general, I will not review exam questions in class after an exam because it makes more sense to spend time before the exam, not after the exam. If you want me to go over a particular question, however, bring it to my attention during class hour or meet with me outside of class. In the preparation of exams, all possible care will be taken to avoid typographical and other errors. I will have the sole discretion in excluding questions that may contain inadvertent errors.

Market Report of the Week
During the semester, each group (4-6 students) is required to submit a weekly report (Up to one page) about a particular news or events that occur in the market during that week. Even though it is a group assignment, each student individually is responsible for submitting the report in Canvas. I will randomly select two or three students at the beginning of each class to briefly share their report with the rest of the class. There will be no assignment due during the weeks of the two midterms, book report presentations, and the final exam. The assignment is due to submit via Canvas before the beginning of each class.

Helpful resources to obtain market news;
- https://www.bloomberg.com/
- https://www.wsj.com/
- https://www.wsj.com/podcasts

Book Report and Presentation
Each group (4-6 students) is required to write a book report (Refer to Section V for a list of books to choose from). By the end of the semester, each group will present their reports to the class. Each presentation should take from 30-45 minutes. Upon my approval, a group can chose a book other than those included in the suggested list in Section V. For this assignment, I am not looking for a summary for those books; I want to see more of a “Story-telling” format. More details about the project will be provided throughout the semester in a timely manner.
Grading Process

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two mid-term exams</td>
<td>40% (20% each)</td>
</tr>
<tr>
<td>Final exam</td>
<td>30%</td>
</tr>
<tr>
<td>Market Report of the Week</td>
<td>10%</td>
</tr>
<tr>
<td>Book Report and Presentation</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Grading Scale:

- **A**: 90% and above
- **B**: 80% – 89.99%
- **C**: 70% – 79.99%
- **D**: 60% – 69.99%
- **F**: 59.99% and below

I reserve the right to curve grades depending on overall classroom performance. Any curving will only improve a student’s calculated grades and will never reduce them. If your final grade at the end of the semester is just below the cutoff for the next letter grade, you may still receive the higher semester grade. Final course grade decisions will be made at the sole discretion of the instructor. I will treat everyone equally and fairly.

Please be advised that student grades are protected and made private by the Family Educational and Privacy Rights Act of 1974. No one at UNT can discuss the grades of a student except with that student or, in certain circumstances, with the student’s parents. Thus, I cannot discuss the performance of any of other students with you. University policy requires that grades be assigned to individual students on the basis of the individual student’s performance in the class and in compliance with the grading criteria set forth in the course syllabus.

III. Course Policy

**Grade Appeals**: All grade appeals must be done within one week of the posted grade date. I will not look into grades appealed after 1 week past the date of grade postings for any exam. If you think that your grade (not someone else’s) was awarded inequitably, please refer to the University Policy on Grade Appeals. You can access the policy by following this link: [https://policy.unt.edu/policydesc/grade-appeals-procedure-15-2-7](https://policy.unt.edu/policydesc/grade-appeals-procedure-15-2-7).

**Disability Accommodation**: The University of North Texas is on record as being committed to both the spirit and letter of federal equal opportunity legislation; reference Public Law 92-112 – The Rehabilitation Act of 1973 as amended. With the passage of federal legislation entitled Americans with Disabilities Act (ADA), pursuant to section 504 of the Rehabilitation Act, there is renewed focus on providing this population with the same opportunities enjoyed by all citizens. I am required by law to provide “reasonable accommodations” to students with disabilities, so as not to discriminate on the basis of that disability. Student responsibility primarily rests with informing faculty of their need for accommodation and in providing authorized documentation through designated administrative channels. For additional information, see the Office of Disability Accommodation website at [http://disability.unt.edu](http://disability.unt.edu). If you need an accommodation, please contact me as soon as possible but no later than the second week of class.
**Academic Dishonesty:** Academic dishonesty is defined in the UNT Policy on Student Standards for Academic Integrity. Any suspected case of academic dishonesty will be handled in accordance with university policy and procedures. Students are expected to maintain a high level of ethical conduct in this course. Evidence of academic dishonesty will result in a grade of “F” and expulsion from this course.

**Student Perceptions of Teaching (SPOT):** Student feedback is important and an essential part of participation in this course. The student evaluation of instruction is a requirement for all organized classes at UNT. The survey will be made available during weeks 13 and 14 of the long semesters to provide students with an opportunity to evaluate how this course is taught. Students will receive an email from "UNT SPOT Course Evaluations via IASystem Notification" (no-reply@iasystem.org) with the survey link. Students should look for the email in their UNT email inbox. Simply click on the link and complete the survey. Once students complete the survey they will receive a confirmation email that the survey has been submitted. For additional information, please visit the spot website at www.spot.unt.edu or email spot@unt.edu.
## IV. Tentative Course Topics and Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topics to be Covered</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/15</td>
<td>Introduction • Types of financial markets • Types and functions of financial institutions</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>1/22</td>
<td>Determinants of Interest Rates • Loanable funds theory: Supply of funds &amp; demand for funds • Inflation, real interest rates, and various risk premiums • Spot and forward rates • Theories of the term structure of interest rates • Time value of money concept – Revisited</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>1/29</td>
<td>Security Valuation and Interest Rates • Bond valuation • Equity valuation: Gordon growth model • Duration: Computation and measure of elasticity • Convexity of the price-interest rate relationship</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>2/5</td>
<td>Federal Reserve System, Monetary Policy and Interest Rates • Structure of Federal Reserve System • Functions of Federal Reserve Banks • Monetary policy tools: Open market operations, discount rate, and reserve requirement • Impact of monetary policy changes to key economic variables</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>2/12</td>
<td>Mid-term Exam #1</td>
<td>1 – 4</td>
</tr>
<tr>
<td>6</td>
<td>2/19</td>
<td>Money Markets • Money market securities: Treasury bills, federal funds, commercial paper, etc. • Money market participants • International aspects: Eurodollar market and LIBOR</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>2/26</td>
<td>Bond Markets • Bond market securities: Treasury notes/bonds, STRIPS, and TIPS • Characteristics of corporate bonds • Overview of bond ratings • International aspects: Eurobonds and foreign bonds</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>3/5</td>
<td>Stock Markets • Stock market securities: Common stock and preferred stock • Centralized exchange and over-the-counter market • Stock market indexes: NYSE composite, S&amp;P 500, etc. • Efficient market theory: Weak, semi-strong, and strong forms</td>
<td>8</td>
</tr>
</tbody>
</table>
### Derivative Securities Markets
- Spot, forward, and futures markets
- Profit and loss on futures transactions
- Overview of margin requirements
- Payoffs on call and put options
- Option valuation: Overview of the Black-Scholes model
- Stock index options and options on futures contracts
- Swaps as hedging tools: Interest rate swap, currency swap, and credit default swap

### Mid-term Exam #2

11 4/2 Mid-term Exam #2  5, 6, 8 & 10

### Foreign Exchange Markets
- History of foreign exchange markets
- Foreign exchange transactions: Spot and forward
- Measuring foreign exchange return
- On-balance-sheet hedging
- Off-balance-sheet hedging: Use of forward positions
- Interaction of interest rates, inflation, and exchange rates: Purchasing power parity and interest rate parity

### Commercial Banks’ Financial Statements
- CAMELS Evaluation
- On-balance-Sheet Assets and Liabilities
- Off-balance-Sheet Assets and Liabilities: Letter of credit, derivative transactions, etc.
- Return on equity and its components

### Book Report Presentations

14 4/23  
15 4/30  

### Final Exam

16 5/7  All

The course topics and schedule may be subject to change as needed. However, I will not move any of the exam days unless there is an extraordinary circumstance.
V. Book Lists for Book Report Assignments (With Amazon link)

1 - The Intelligent Investor by Benjamin Graham (Only chapter 1-10 are required)
   https://www.amazon.com/Intelligent-Investor-Definitive-Investing-Essentials/dp/0060555661/ref=sr_1_1?ie=UTF8&qid=1547169577&sr=8-1&keywords=the+intelligent+investor+by+benjamin+graham

2 - A Random Walk down Wall Street: The Time-tested Strategy for Successful Investing by Burton G. Malkiel (Only chapter 1-10 are required)
   https://www.amazon.com/Random-Walk-down-Wall-Street/dp/0393352242/ref=sr_1_1?ie=UTF8&qid=1547169756&sr=8-1&keywords=walking+down+wall+street

3 - The Psychology of Investing by John R. Nofsinger
   https://www.amazon.com/Psychology-Investing-John-R-Nofsinger/dp/041539757X/ref=sr_1_1?ie=UTF8&qid=1547170013&sr=8-1&keywords=the+psychology+of+investing

4 - Irrational Exuberance by Robert J. Shiller

5 - Thinking, Fast and Slow by Daniel Kahneman (Only parts 1, 2, and 3 are required)
   https://www.amazon.com/Thinking-Fast-Slow-Daniel-Kahneman/dp/0374533555/ref=sr_1_1?ie=UTF8&qid=1547170294&sr=8-1&keywords=think+fast+and+slow

6 - The Big Short: Inside the Doomsday Machine by Michael Lewis
   https://www.amazon.com/Big-Short-Inside-Doomsday-Machine-ebook/dp/B00JLSTK8G/ref=sr_1_5?ie=UTF8&qid=1547448370&sr=8-5&keywords=the+big+short