FIN 371M – MONEY & CAPITAL MARKETS (UNIQUE No. 03460) SYLLABUS

Spring 2013

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Office Hours Mondays and Wednesdays, 3:45 – 5:00pm

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Teaching Assistant TBD

Prerequisite

FIN 357 is required. A good Money and Banking class such as FIN 354 or ECO 322 is not required, but would certainly be of assistance to you in a course like this.

Course Objectives

This course will focus on the operation of various classifications of financial markets and the role that monetary and regulatory policy influences those markets. We will discuss several types of financial intermediaries and markets, the roles that these markets and institutions play, and how monetary and regulatory policy may influence their operation.

Materials

The textbook is Frederic S. Mishkin and Stanley G. Eakins, *Financial Markets and Institutions*, 7th edition. In addition, there will be several additional required readings that I will provide to you. Some of these are listed on the syllabus and others will be included as we go. In particular, I will often post stories on current issues that are relevant to our discussions from the Wall Street Journal, the Economist, the Financial Times or some other similar source. It is important that you read these short pieces and come prepared to discuss them in class.

Course Requirements and Grading

Your grade for this portion of the course will be determined as follows:

Participation 10% Homework Problems 30% Exams (Best 3 scores) 60%

The grading scale is given in the table below:

Letter	Lower	Upper
Α	93.34%	100.00%
A-	90.00%	93.33%
B+	86.67%	89.99%
В	83.34%	86.66%
B-	80.00%	83.33%
C+	76.67%	79.99%
С	73.34%	76.66%
C-	70.00%	73.33%
D+	66.67%	69.99%
D	63.34%	66.66%
D-	60.00%	63.33%
F	59.99% and	d below

Description of Requirements

Participation

You are expected to attend class and be prepared to discuss the required material. This is not a seminar course, but contributions to class discussion are helpful and welcome. Students who do not come to class, are clearly unprepared or are disruptive will receive lower participation scores. In particular, students will be asked to attend class the last week of the semester, and if necessary, I will rely on the incentives provided from this portion of your grade to ensure attendance.

Homework

Homework will be assigned prior to each exam, and will consist entirely of problems that you should solve on your own. Normally, the problems will be assigned from your textbooks, but occasionally, I may supplement those with my own questions. Once the homework has been turned in, I will post prepared solutions on Blackboard. The homework problems will provide a good indication of the types of "short answer" problems that you will encounter on exams.

Homework should be completed neatly and professionally, and will be due at the beginning of class on the due date. Handwritten answers are fine so long as everything is neat and legible. Please show all your work in deriving your answer.

Any homework turned in after the beginning of class will be penalized 10% immediately. Since my solutions will be posted after the due date, and since students will need these to prepare for the next exam, which will likely follow shortly after homework is due, any homework not turned in on the day that it is due by 5pm will not be accepted at all and will receive a score of zero.

Exams

Exams will be closed-note and closed-text (there may be equation sheets allowed depending on the material covered). All exams will consist of both multiple choice and short answer problems. We will discuss the exams in more detail in class.

The final exam is optional, but can be used to replace a previous exam score. It will be comprehensive, but based on questions from the previous exams. Tentatively, the final exam is scheduled for Tuesday, May 14, 9:00-12:00 noon. Note that this is the last day of the exam period. Do not make plans to leave UT before this date or you will not be able to take the final exam, should you choose to do so.

NO EARLY EXAMS will be given for any reason and there are no "make up" exams.

Classroom Expectations

- · Students arrive on time:
- Students minimize unscheduled personal breaks;
- · Students are fully prepared for each class;
- · Laptops are closed and put away; and
- Phones and wireless devices are turned off.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) are housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at http://deanofstudents.utexas.edu/ssd/index.php. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

Observance of Religious Holidays

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Academic Dishonesty

As with all classes at UT-Austin, you are bound by the UT Honor Code: The core values of the University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the University is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community. Academic dishonesty of any sort will not be tolerated in this class.

Course Schedule

Week	Торіс	Chapters in text	Supplementary Reading	Special dates
1/14	Overview of the Financial System	1 - 2		
1/21	Understanding Interest Rates	3		
1/28	1/28 Determinants of Interest rates		Appendix 3 to Chapter 4 [web]	
			Appendix 4 to Chapter 4 [web]	
			Daniel Thornton, "What the Libor-OIS Spread Says," Federal Reserve Bank of St. Louis <i>Economic Synopses</i> (2009)	
			Rajdeep Sengupta and Yu Man Tam, "The LIBOR-OIS Spread as a Summary Indicator," Federal Reserve Bank of St. Louis <i>Economic Synopses</i> (2008)	
2/4	The Risk Structure of Interest Rates	5		
2/11	The Term Structure of Interest Rates	5		HW 1, 2/13
2/18	The Function of Financial Markets	7		Exam 1, 2/20
2/25	The Stock Market	13, 6		
3/4	The Mortgage Market and Securitization	14		
3/18	The Subprime Meltdown and the Financial Crisis	8	Gorton, Gary and Metrick, Andrew, "Getting Up to Speed on the Financial Crisis: A One-Weekend Reader's Guide," <i>Journal of Economic Literature</i> (2012)	HW 2, 3/20
3/25	European Sovereign Debt Crisis		Lane, Phillip R., "The European Sovereign Debt Crisis," <i>Journal of</i> <i>Economic Perspectives</i> (2012)	Exam 2, 3/27
4/1	Monetary Policy	9 – 10		
4/8	The Federal Reserve, the European Central Bank, and the Conduct of Monetary Policy during Crises			
4/15	The Money and Bond Markets	11 – 12		HW 3, 4/17
4/22	Foreign Exchange Markets and the International Financial System	15 – 16		Exam 3, 4/24
4/29	Regulation of the Financial Sector	18		