FIN 371M – MONEY & CAPITAL MARKETS
(UNIQUE NO. 03770)
SYLLABUS

FALL 2014

Instructor	Michael Sadler, Ph.D.
Office	CBA 6.304C
Office Hours	Mondays, 1:30 – 2:30 pm and Wednesdays, 1:30 – 3:00 pm
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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*, 8th 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. They are taken from journals, Federal Reserve publications and other sources and are intended to be suitable for students at your level. In addition, 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
A	93.34%	100.00%
A–	90.00%	93.33%
B+	86.67%	89.99%
B	83.34%	86.66%
B–	80.00%	83.33%
C+	76.67%	79.99%
C	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 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. This includes those that are texting or using any other device or computer to engage in activities unrelated to the course. In fact, you are best served by leaving your notebook computers, phones and tablets stowed away. In addition, 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 twice 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 Canvas. 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 Thursday, December 11, 9:00-12:00 noon. If you are taking the final, you must take it at this time.

NO EARLY EXAMS will be given for any reason beyond official University excuses (e.g., NCAA athletics) 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	Topic	Chapters in text	Supplementary Reading	Special dates
9/1	Overview of the Financial System	1 - 2		
9/8	Understanding Interest Rates	3		
9/15	Determinants of Interest rates	4	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 *Economic Synopses* (2009) Rajdeep Sengupta and Yu Man Tam, "The LIBOR-OIS Spread as a Summary Indicator," Federal Reserve Bank of St. Louis *Economic Synopses* (2008)	HW 1, 9/17
9/22	The Risk and Term Structure of Interest Rates	5		HW 2, 9/24
9/29	The Function of Financial Markets	7		Exam 1, 10/1
10/6	Monetary Policy	9		
10/13	Monetary Policy, cont'd	10		HW 3, 10/15
10/20	The Stock Market	13, 6		HW 4, 10/22
10/27	The Money and Bond Markets	11 - 12		Exam 2, 10/29
11/3	The Foreign Exchange Market	15		HW 5, 11/5
11/10	The Mortgage Market and Securitization	14		HW 6, 11/12
11/17	The Subprime Meltdown and the Financial Crisis	8	Frederic S. Mishkin, "Over the Cliff: From Subprime to the Global Financial Crisis," *Journal of Economic Perspectives* (2011) Arvind Krishnamurthy, "How Debt Markets Have Malfunctioned in the Crisis," *Journal of Economic Perspectives* (2011)	Exam 3, 11/19
11/24	No new topic No class 11/26		David Luttrell, *et al*., "Understanding the Risks Inherent in Shadow Banking: A Primer and Practical Lessons Learned," *Dallas Fed Staff Papers* (2012)	
12/1	Regulation of the Financial Sector	18	John Y. Campbell, *et al*., "Consumer Financial Protection," *Journal of Economic Perspectives* (2012)	Participation required