



FINANCE 371M – MONEY AND CAPITAL MARKETS (UNIQUE # 03855)

FALL 2016

Professor	Sanford J Leeds
Office	GSB 5.164
Office Hours	Through 9/15: M, T, Th 1 – 3; After 9/19: Tues 8 - 11
Phone	471-6830
E-Mail	sandy.leeds@mcombs.utexas.edu
Course Web Page	via Canvas
Teaching Assistant	I prefer that you see me with questions

Course Objectives

This course is designed to give you a deeper understanding of money markets and capital markets. We will study the economy, the stock market, the bond market and money market. We will also examine derivatives and currencies. By the end of the semester, you should feel significantly more comfortable understanding the financial news and discussing the markets.

Materials

Text

Capital Markets: Institutions, Instruments & Risk Management, 5th Edition by Frank Fabozzi (MIT Press, 2015) – available at the Co-Op

Packet

Money and Capital Markets, by Sanford J Leeds (2016) – available at GSB copy center

Barron's

We will frequently discuss articles from Barron's. You can get a student subscription for \$50.

Calculator

You will need a business calculator for this class. The calculator should have the following keys: IRR, n, i, PV, PMT, FV, and CF. As long as those keys are present, the calculator is fine. If you may consider taking the CFA exam in the future, I recommend the HP 12c (this calculator is the finance industry standard and one of only two calculators that may be used on the CFA exam). The other calculator which is permissible for the CFA exam is the Texas Instruments BA II Plus. A third calculator (which is both easy to use and inexpensive, but cannot be used on the CFA exam) is the HP 10bII+. **You should bring a financial calculator to every one of our class meetings.**

Prerequisite

Finance 371M is a Restricted Course for students who are currently enrolled in a major program in the College of Business Administration. Note that several prerequisites apply for this course and are published in the Course Catalog. Prior completion of Finance 357 or Finance 357 H and its prerequisites are among these requirements.

Course Requirements and Grading

We will have two exams during the semester and we will have a mandatory (comprehensive) final exam. In addition, you will have three homework assignments that will be assigned in the week before your exams (in order to help you prepare). Your grade in the course will be determined as follows:

Lowest Exam Grade	20%
Middle Exam Grade	30%
Highest Exam Grade	35%
Homework:	15%

PLEASE NOTE: Homework is to be done alone. Any communication about the assignment with anyone else is considered to be academic dishonesty and will result in a grade of zero on the assignment and an additional decrease of your final course grade by two letter grades.

Description of Requirements

Exams

Exams 1 and 2 will be held in class. My exams tend to include most of the material that I have taught (rather than just a few big questions). The tests will include both qualitative and quantitative material. The qualitative questions are usually short answer, multiple-choice and true-false. The difficulty level of the multiple-choice questions is intended to parallel the level of question that you could face on the CFA® exam.

You should realize that I test on what I teach. In order to prepare, you should review your packet notes (including slides), your notes concerning our class discussion, the homework problems, and any articles we discussed in class. **PLEASE NOTE: in many classes, you are not tested on articles about current events. In this class, you will be tested on these articles. This is a significant part of what this class is designed to teach.**

I do not release old exams. I have found that releasing old exams is problematic because (1) it results in people studying “to the exam” rather than studying to learn; and (2) students inevitably feel that old exams are easier than the current exam. In addition, I do not allow students to keep their exams. This maintains the fairness of exams, since you know that no one has seen old exams. You will have ample opportunity to review your exam. Of course, I don’t even have any old exams for this course – since this is the first time that I’m teaching it.

Attendance Policy, Late Policy, and Disruption Policy

I expect you to attend class, to be on time, and to not disrupt class. I understand that things happen – you oversleep, a bus runs late, you're sick, you have a meeting that runs late, etc. At the same time, you need to understand that this is a professional environment and it is my responsibility to create a culture of excellence.

We will use a point system. You can accumulate 2.5 points without penalty. After 2.5 points, your final course grade will be lowered.

Missing class counts as one point. Similarly, arriving more than ten minutes late is treated the same as missing class (it counts as one point). Arriving late (up to ten minutes) counts as half a point. Using any technology in class (cell phone, laptop, tablet) also counts as a full point. Other disruptions (counting as a half-point) include packing up before the end of class and being disrespectful to your peers.

For every half-point above 2.5 points, your final course grade is lowered by one grade level. For example, if you end the semester with four points, you are 1.5 points above the limit. Lets imagine that you had qualified for a grade of A-. You will receive a B- (three levels lower than an A-).

I also excuse two absences for **off-campus** interviews if I receive notice 48-hours prior to your interview. I must be notified by email. You must include the name of the employer. You need to plan ahead – if you are going to be interviewing this semester, you can use these two excused absences and you can also use your 2.5 points.

The bottom line is that this is a bad course to take if you don't plan on attending class. If you attend class and put in a good effort, I'm confident that you will learn a lot and you'll enjoy the experience. **Rest assured...I will hold myself to a higher standard than I will hold you.**

How to Prepare for Class and the Exams

Before class, you should read your packet. In class, I will assume that you have read the material and that you are prepared to answer questions about the material. After class, you must constantly review the packet.

Please NOTE: it is always possible that we will finish a lecture quicker than planned. As a result, you should always bring your packet notes for that day, as well as one lecture ahead.

Schedule

Date	Packet Unit	Topic	Text Chapter
Aug. 24	1	The Current State of the Economy	
Aug. 29	1	The Current State of the Economy	
Aug. 31	1	The Current State of the Economy	
Sep. 7	2	Equities	18 - 19
Sep. 12	2	Equities	18 - 19
Sep. 14	2	Equities	18 - 19
Sep. 19	3	Bond Basics	16 - 17
Sep. 21	3	Bond Basics	16 - 17
Sep. 26	3	Bond Basics	16 - 17
Sep. 28	4 - 7	USTs, Munis, Corporate Debt, International Debt	21 - 24
Oct. 3	4 - 7	USTs, Munis, Corporate Debt, International Debt	21 - 24
Oct. 5	Exam 1		
Oct. 10	8	GDP	
Oct. 12	9	Current Issues With Growth	
Oct. 17	10	Background Info Before Monetary Policy	
Oct. 19	11 – 12	Fed, Monetary Policy, Dual Mandate	
Oct. 24	11 - 12	Fed, Monetary Policy, Dual Mandate	
Oct. 26	11 - 12	Fed, Monetary Policy, Dual Mandate	
Oct. 31	13	Trade and Exchange Rate	
Nov. 2	14	Fiscal Policy	
Nov. 7	14	Fiscal Policy	
Nov. 9	Exam 2		
Nov. 14	16	Forwards, Futures, Swaps	28 - 30
Nov. 16	17 - 19	Mortgages, MBS, Securitizations, CDOs and CDS	25 – 27; 31
Nov. 21	17 - 19	Mortgages, MBS, Securitizations, CDOs and CDS	25 – 27; 31
Nov. 28	17 - 19	Mortgages, MBS, Securitizations, CDOs and CDS	25 – 27; 31
Nov. 30	20 - 21	Money Markets and Shadow Banking	20
Dec. 5	20 - 21	Money Markets and Shadow Banking	
Dec. 10	Final Exam		

KEY DATES

PLEASE NOTE: I DO NOT GIVE MAKE-UP EXAMS (EXCEPT FOR DOCUMENTED ILLNESS OR UNIVERSITY APPROVED ABSENCES). IF YOU CAN'T MAKE THE EXAMS, PLEASE DO NOT TAKE THIS CLASS.

I AM FREQUENTLY ASKED ABOUT TAKING THE FINAL EXAM EARLY IN ORDER TO ACCOMMODATE PLANE TRIPS HOME. I AM SIMPLY UNABLE TO ACCOMMODATE THESE REQUESTS. I ABIDE BY THE UNIVERSITY EXAM SCHEDULE.

Oct. 3: HW #1 due (assigned Sep. 26)

Oct. 5: Exam #1

Nov. 7: HW #2 due (assigned Oct. 31)

Nov. 9: Exam #2

Dec. 10: Final Exam (Tentative; exam will be given on University assigned date)

Short Bio



Sanford J. Leeds

Distinguished Senior Lecturer
Department of Finance

- MBA, University of Texas Graduate School of Business, 1995
- JD, University of Virginia School of Law, 1989
- B.S., University of Alabama, 1986

Sandy Leeds is a member of the Finance Department faculty at The University of Texas and President of The MBA Investment Fund, L.L.C. He teaches both graduate and undergraduate level courses, including Corporate Finance, Advanced Corporate Finance, Public Policy (Long-Term Issues in the Markets), Investments, Portfolio Management / Security Analysis and Macroeconomics. He has a J.D. from The University of Virginia School of Law, an MBA from The University of Texas at Austin and a B.S. in Investment Management from The University of Alabama. He is a member of the Texas State Bar and holds the Chartered Financial Analyst designation.

Prior to joining the faculty, Sandy managed money for a private money management firm. He was one of four portfolio managers responsible for approximately \$1.6 billion of assets. He spent the majority of his time analyzing publicly traded companies. He also has extensive experience implementing option strategies.

In addition to money management experience, Sandy also has significant legal experience. He has conducted approximately 100 jury trials and 100 bench trials. He has participated in the regulation of the securities industry, conducting the hearing against most of the principals involved in the Sterling Foster case (a \$75 million fraud). He has also advised attorneys on financial related litigation involving options, hedge funds, and other matters.

At UT, Sandy has received numerous teaching awards, including three school-wide awards: the Joe D. Beasley Teaching Award (for teaching in the graduate program), the CBA Foundation Advisory Council Award for Teaching Innovation, and the Jim Nolen Award for Excellence in Graduate Teaching. He has received recognition from his students with the “Outstanding MBA Professor Award” (selected by the full-time MBA students in multiple years and also the Evening MBA students and the Dallas MBA students) and the “Outstanding MSF Professor Award” (in multiple years). In 2015, he was selected (at the University level) to be a Provost Teaching Fellow and then served on the steering committee of that organization. Within the Austin community, he just finished a three-year term on the Investment Committee for the Austin Community Foundation (managing \$100 million) and also just finished a term as the vice-Chair for the Board of Trustees at The Girls’ School of Austin.

Academic Dishonesty

Academic dishonesty will not be tolerated. Any individual suspected of cheating, including stealing or using stolen examinations, will be disciplined to the maximum extent possible. Review UT Honor Code at <http://registrar.utexas.edu/catalogs/gi09-10/ch01/index.html>

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

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) is 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, 471-6441 TTY or via e-mail if you have any questions.

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 holdy day. If you miss a class, an examination, a work assignment or a project in order to observe a religious holdy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.
