



FINANCE 371M – MONEY AND CAPITAL MARKETS (UNIQUE # 03755, 03760, 03765, 03770)

FALL 2017

Professor	Sanford J Leeds
Office	GSB 5.164
Office Hours	See below (hours vary due to my teaching schedule)
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. By the end of the semester, you should feel significantly more comfortable understanding the financial news and discussing the markets.

Materials

Packet: We will rely on notes that I have written. They are all posted on Canvas. If you want to do well in the class, you need to read these notes. **You will need to bring a hard copy of these to class.** We will not use technology in the classroom. I recommend that you wait until the night before class to print these slides. Because we are talking about the economy and the markets, the slides will frequently be updated with the most current data.

Optional: Modern Principles of Economics (3rd ed.), by Tyler Cowen and Alex Tabarrok (2014) (Available on Amazon)

Supplemental – on Canvas, there will be additional notes, papers, articles and speeches posted. You are NOT responsible for any of this supplemental material. Rather, it may help you if you want to gain a deeper understanding of a particular subject.

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. **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. **I do NOT have any control over who is admitted to this class.**

Course Requirements and Grading

According to the Undergraduate Dean's Office, the average grade assigned in this class should be between 3.4 and 3.6. (Obviously, I will abide by this policy.)

We will have three exams during the semester. 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:

Exam 1	25%
Exam 2	30%
Exam 3	30%
Homework:	15%

Homework can be done either alone or with one other person. Any communication about the assignment with anyone other than your partner 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. If you decide to do the homework alone (and only your name is on your submission), this means that you are not allowed to discuss it with anyone else.

Office Hours

From August 28th – September 21st :

Monday	Aug. 28	1:15 – 3:15 PM
Tuesday	Aug. 29	3:30 – 5:30 PM
Wednesday	Aug. 30	5:00 – 6:30 PM
Thursday	Aug. 31	5:00 – 6:30 PM
Tuesday	Sep. 5	5:00 – 6:30 PM
Wednesday	Sep. 6	5:00 – 6:30 PM
Thursday	Sep. 7	5:00 – 6:30 PM
Monday	Sep. 11	5:00 – 6:30 PM
Tuesday	Sep. 12	5:00 – 6:30 PM
Wednesday	Sep. 13	5:00 – 6:30 PM
Thursday	Sep. 14	5:00 – 6:30 PM
Monday	Sep. 18	5:00 – 6:30 PM
Tuesday	Sep. 19	5:00 – 6:30 PM
Wednesday	Sep. 20	5:00 – 6:30 PM
Thursday	Sep. 21	5:00 – 6:30 PM

From **September 25th – December 8th**:

- Tuesday, Wednesday, Thursday: 9 – 11 AM

Optional Textbook

Relevant Textbook Chapters from “**Modern Principles: Macroeconomics,**” by Tyler Cowen and Alex Tabarrok

Unit 1: none

Unit 2: Chapters 6 – 8, 13

Unit 3: none

Unit 4: Chapter 15

Unit 5: Chapter 16

Unit 6: Chapters 11 – 12

Unit 7: Chapters 17 – 18

Unit 8: Chapter 2

Unit 9: none

Description of Requirements

Exams

All three exams 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.

We will not have a final exam during exam week. I have never done this before. I am doing this because exams end on December 20th and this will make travel difficult for some of you.

I test on what I teach. This means that each test will cover what we discuss in class as well as any reading assignments and taped lectures (on bonds, multiples, and issues with growth). In addition, you will be responsible for all current events that we discuss in class. **(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.

I will be teaching four sections of this class. This means that some sections will be taking the test earlier than other sections. Sharing (or receiving) any information with (from) someone in another section will result in failing the class. I am committed to fairness in grading and I will enforce this in the most aggressive way possible. I will do my best to ensure fairness – which is something that you all want.

Attendance Policy, Late Policy, and Disruption Policy

If you don't want to read the entire page, here's the simple summary: this is a great class and it will be a lot of fun, but I need you to do your part. I need you to come to class, be on time, pay attention (don't use technology), and enjoy our time together. In short, simply be professional and enjoy class. Now, here's the long version of the rules...

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.

You are allowed to miss two classes (without penalty). After that, each absence results in your final course grade being lowered by one grade level. For example, if you miss five classes, the first two are excused. The remaining three will result in your grade being lowered. Continuing with the example, if your scores would have earned you a grade of A-, you will receive three levels lower (B-). **I recommend that you save your two excused absences** – you never know what happens in life.

In addition, being late for class is equivalent to half of an absence. If you are someone who can't make it to class on time, this is the wrong course for you. Your first time late is excused. After that, the policy (where it is equivalent to half of an absence) applies.

Our class will be technology free. This means that I need 75 minutes of your undivided attention twice each week. Using your cell phone, tablet, or laptop in class is the same as an absence. In other words, each time you use it in class, I will mark you as absent for that day.

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 two allowed absences.

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.**

Here's a particularly great thing this semester...I will be teaching four sections of this class (two on Monday / Wednesday and two on Tuesday / Thursday). As a result, if you are sick or have some unexpected event, you may have the opportunity to attend another section of the class. There are two things you need to know:

1. You do NOT have the option to attend any section you want throughout the semester. In other words, you can't just decide that you're going to unilaterally change which section you're in. No person should have change sections more than twice during the semester. **You need to let me know you're doing this.** Your name will not be on the sign-in sheet that is passed around – so we'll know which section you're in. The bottom line is that I can't have 80 students in one section (it's not fair to the people who signed up for that section). But, this is a great option when you have an interview or you're sick one day.

2. Please understand our schedule...after our first week of class (Weds/Thurs), we have Labor Day. When classes resume, our schedule is Tuesday/Wednesday, Thursday/Monday. In other words, in my four sections, I will be giving the same lecture on Tuesday and Wednesday. Then, I'll be giving a lecture on Thursday that will be repeated on the following Monday. (The semester also ends on a Monday.) So, if you miss Tuesday, you can attend Wednesday. Or, if you know you will miss Wednesday, you can attend Tuesday. The same applies with Thursday and the following Monday. The times and locations of my four sections are below:
 - a. M/W 12:30 – 1:45 (UTC 1.144)
 - b. M/W 3:30 – 4:45 (UTC 3.110)
 - c. T/Th 12:30 – 1:45 (UTC 1.104)
 - d. T/Th 3:30 – 4:45 (GSB 2.122)

How to Prepare for Class and the Exams

The assignments for each unit of our class are described below. Please understand that it is very difficult to stick to the calendar in this class. We will frequently discuss current events. There may be times when we discuss topics for longer than I expected.

Schedule

Class #	Packet Unit	Topic	Prep for Each Unit	In Class (Packet pages from appropriate unit)
1	1	The Current State of the Economy	Kaplan Essay*	1 – 7
2	1	The Current State of the Economy		
3	1	The Current State of the Economy		
4	1B	Equities	Taped lecture on “multiples”	Unit 1B Slide deck
5	1B	Equities		
6	1C	Bond Basics	Taped lecture on “bonds”	Unit 1C Slide deck
7	1C	Bond Basics		
8	2	GDP	Unit 2: pp. 1 – 9	Unit 2: pp. 10 – 14
9	2	GDP		
10	Exam 1	Tues. Oct. 3 / Weds. Oct. 4		
11	2	GDP		
12	3	Issues With Growth	Unit 3: pp. 1 – 11; tape	
13	4	Background to Monetary Policy	Unit 4: pp. 4 – 10	Unit 4: pp. 1 – 3
14	4	Background to Monetary Policy		
15	5	Fed and Monetary Policy	Unit 5: pp. 1 – 4	Unit 5: pp. 5 - 12
16	5	Fed and Monetary Policy		
17	5	Fed and Monetary Policy		
18	6	Dual Mandate	Unit 6: pp. 1 – 12	Unit 6: pp. 12 - 15
19	6	Dual Mandate		
20	Exam 2	Tues. Nov. 7 / Weds. Nov. 8		
21	7	Fiscal Policy	Unit 7: pp. 1 – 25	Unit 7: pp. 26 – 28
22	7	Fiscal Policy		
23	7	Fiscal Policy		
24	8	Exchange Rates	Unit 8: pp. 1 – 12	Unit 8: pp. 13 – 14
25	8	Exchange Rates		
26	9	Cost of Education / Income Inequality	Unit 9: pp. 1 – 5	Unit 9: pp. 6 – 10
27	9	Cost of Education / Income Inequality		
28	Exam 3	Thurs. Dec. 7 / Mon. Dec. 11	Dates subject to change	

***Assessment of Current Economic Conditions and Implications for U.S. Monetary Policy**, Robert S. Kaplan, July 2017

Weather Disruptions, Instructor Absence, or Falling Behind Schedule: if class is cancelled due to weather or instructor absence, we will most likely have a taped lecture to make up for the class. I have only missed class once (in 16 years), but it is always possible that issues can arise.

In addition, if we fall behind in class (because we spend additional time discussing current events), it is possible that there might be a taped lecture to make sure we stay on track.

I will need you to listen to a one-hour taped lecture about Unit 3 (rather than discussing it in class). This is because we are losing our last class day to an 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.

Sep. 28: HW #1 due by 3:30 PM – hard copy; hand in in-person
Oct. 3 / Oct. 4: Exam #1

Nov. 2: HW #2 due by 3:30 PM – hard copy; hand in in-person
Nov. 7 / Nov. 8: Exam #2

Dec. 4: HW #3 due by 3:30 PM – hard copy; hand in in-person
Dec. 7 / Dec. 11: Exam #3

The University of Texas at Austin McCombs School of Business



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. He has been on the faculty for 16 years and served as President of The MBA Investment Fund, L.L.C. for 13 of those years. 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, Macroeconomics, and Money and Capital Markets. 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.

Sandy is a frequent conference speaker, typically discussing the economy and the markets. He used to write a blog (LeedsonFinance) that attracted more than 10,000 subscribers. Recently, he joined Keith Brown and Frank Reilly as a co-author on the upcoming 11th edition of "Investment Analysis & Portfolio Management." This edition is scheduled to be released in the spring of 2018.

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, 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 served a three-year term on the Investment Committee for the Austin Community Foundation (managing \$100 million) and recently 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 an/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 holy day. If you 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.
