



## FINANCE 371M – MONEY AND CAPITAL MARKETS (UNIQUE # 03570)

SPRING 2017

<b>Professor</b>	Sanford J Leeds
<b>Office</b>	GSB 5.164
<b>Office Hours</b>	Until spring break: T/Th 3:30 – 5 PM After spring break: T/Th 11 – 12; 1:30 – 2:30
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<b>Course Web Page</b>	via Canvas
<b>Teaching Assistant</b>	I prefer that you see me with questions

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### 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

**Text:** We will rely on notes that I have written. They are all posted on Canvas. For most of the 11 units, these notes are longer versions of the material that we will use in class. If you want to do well in the class, you need to read these notes

Unit 4 will involve a discussion of key ideas from “Efficiently Inefficient,” by Lasse Heje Pedersen, Princeton University Press (2015).

**Class Notes:** All notes will be posted on Canvas. These are the materials that we will use in class. 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.

**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.

## 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 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:

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

**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.

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 and multiples). You are also responsible for the two taped lectures (bonds and multiples). 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.

## **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, 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.**

### ***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

Date	Packet Unit	Topic	Prep for Each Unit
Jan. 17	1	The Current State of the Economy	Fed Speeches - to be announced (These will be distributed after first day of class.)
Jan. 19	1	The Current State of the Economy	
Jan. 24	1	The Current State of the Economy	
Jan. 26	2	Equities	Taped lecture on “multiples”
Jan. 31	2	Equities	
Feb. 2	2	Equities	
Feb. 7	3	Bond Basics	Taped lecture on “bonds”
Feb. 9	3	Bond Basics	
Feb. 14	3	Bond Basics	
Feb. 16	4	Trading Strategies	
Feb. 21	4	Trading Strategies	
Feb. 23	<b>Exam 1</b>	<b>Units 1 - 3</b>	
Feb. 28	5	GDP	GDP – Leeds
March 2	5	GDP	
March 7	5	GDP	
March 9	6	Issues With Growth	Issues With Growth – Leeds
March 21	6	Issues With Growth	
March 23	7	Background to Monetary Policy	
March 28	7	Background to Monetary Policy	
March 30	8	Fed and Monetary Policy	Fed and Monetary Policy – Leeds
April 4	<b>Exam 2</b>	<b>Units 4 - 7</b>	
April 6	8	Fed and Monetary Policy	
April 11	8	Fed and Monetary Policy	
April 13	9	Dual Mandate	Dual Mandate – Leeds
April 18	9	Dual Mandate	
April 20	10	Exchange Rates	Exchange Rates -- Leeds
April 25	10	Exchange Rates	
April 27	11	Fiscal Policy	Fiscal Policy – Leeds
May 2	11	Fiscal Policy	
May 4	11	Fiscal Policy	
TBD	Final Exam		

**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. Again, this is not likely, but it is a possibility.

## KEY DATES

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**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.**

Feb. 21: HW #1 due (assigned Feb. 14)

Feb. 23: Exam #1

March 30: HW #2 due (assigned March 23)

April 4: Exam #2

May 4: HW #3 due (assigned April 27)

TBD: Final Exam (exam will be given on University assigned date)

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## 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. He has been on the faculty for 16 years. For almost 13 of those years, he served as 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, 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.

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 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.*

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## 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.

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## 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.

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