

**Fin 390.1/Law353M**  
**Financial Markets and Institutions**  
Fall, 2008

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OFFICE HOURS: Tu-Th 3:30 pm or call in the morning  
TAs To be posted on Blackboard  
Postings of notices, course information, and course documents will be on Blackboard  
(www.courses.utexas.edu)

**OBJECTIVES OF THE COURSE**

The course presents an overview of how macroeconomic factors influence financial market pricing in debt, equity, real assets and foreign exchange markets. A framework is developed to understand the expectations that financial markets price. These top-down considerations are inputs to asset allocation decisions between debt and equity, among fixed income products, the currency and country of choice, the choice of commodities vs. financial assets, etc. The objective of the course is for you to gain an understanding of how to interpret and analyze the economic and financial environment in order to make informed investment allocations. This is the view point of the investment strategist.

**COURSE ROUTINE**

The course will be conducted in a manner that encourages class participation consistent with the objectives of the course, the time available, and the number of students in the class. The instructor will normally devote a portion of each class period to the discussion of selected current financial events if they pertain to the subject matter of the course. It is expected that students maintain a current awareness of financial news and economics conditions. Students are encouraged to involve themselves in the discussion. Because so much of the course content develops from current events there is no substitute for class attendance. Materials discussed in class have a high weight on the exams so that if you do not believe you will attend regularly it will be difficult to attain a high grade.

**COURSE REVISIONS**

Financial Markets and Institutions attempts to integrate current economic and financial market developments into the course so that these developments can be understood in the larger context of economic-financial interactions presented in the

course material. This requires not only an awareness of current events but also the adaptive ability to address these issues when they arise. We do this by updating current market issues as they arise which occurs in most class sessions. There are no textbooks that cover this material so attendance is extremely important and anticipate that the course outline will be revised as events occur. Hence subjects discussed in class and materials distributed in class have a high weight on the exams.

### **SCHEDULING ISSUES**

There will also be a three hour summary session prior to both the mid term and final exam. The mid-term will be on Tuesday March 10<sup>th</sup> from 6 to 8 pm. There will be a three-hour summary on Sunday evening March 8th. Class will resume on Tuesday March 24th. There will be a three-hour summary and review session prior to the final exam. There will be no class on Thursday April 2<sup>nd</sup>. Mutually agreed early final exam dates will be arranged after classes are over.

### **PERFORMANCE EVALUATION**

A high academic standard will be maintained with respect to grading standards. Semester grades will be determined using the following relative weights: 40% mid-term, and 60% comprehensive final.

Grades will be assigned based on the final distribution of grades with grades assigned to each mode of the distribution. Closed book essay is the typical exam format. Subjects discussed in class will be emphasized on exams.

There will be an interest rate/bond price exercise that must be handed in for credit. Failure to turn in the interest rate exercise will reduce the final computed grade by 5 points.

### **COURSE MATERIALS**

#### 1. Subscriptions:

Each student is expected to subscribe to either Investors Business Daily or the Wall Street Journal the duration of the course. Investor Business Daily subscriptions are obtained by calling 800.831.2525. There is a 15 week student subscription for \$44. This number should be called for any administrative purpose (stop paper for vacation, change address, failure to deliver, etc.). The Wall Street Journal subscription is obtained at <http://subscribe.wsj.com/semester> for \$19.95 for the semester. You will need your UD ID and UT zip code which is 78712 or call at 800.568-7625. Please indicate my name as instructor (Lewis Spellman) in order to be able to receive additional educational items from Dow Jones. Students are expected to watch on a regular basis Kudlow and Co. at 6 PM on CNBC or anything equivalent.

2, Materials for this class are available in hard copy at Speedway in Dobie Mall.

#### 3. Blackboard

Blackboard will be utilized to post notices, distribute digital handouts. Grades are posted on e-Gradebook. Blackboard is accessed through <http://courses.utexas.edu>

4. Recommended Readings

The Trillion Dollar Meltdown by Charles Morris

When Markets Collide by Mohamed El-Erian