

**Finance 132**  
**Introduction to Financial Markets**  
**Fall, 2002**

**Instructor:** Dr. Maurice Ewing

**Room:** LTC (213)

**Time:** Monday and Wednesday (17:00 – 18:20)

**Email:** maewing@ust.hk

**Office:** 2343 (next door to Management Department office)

**Office Hours:** By appointment, please send emails with questions or to arrange a time to speak. Otherwise, I am available before each lecture. **Please give at least two days for a response to lengthy emails.**

**Course Web Site:** [www.bm.ust.hk/~maewing](http://www.bm.ust.hk/~maewing)

**Course Materials:**

**\*\*\*\*All materials are required. You MUST PURCHASE the course textbook within the first 2-3 weeks of the course (it is very cheap). You also MUST register for the news website (this is free).**

i) Romesh Vaitilingam, *The Financial Times Guide to Using the Financial Pages (GFT)*

**You will often need to bring this textbook to class. My lectures will follow it very closely and I will often draw examples (as well as test questions) from it in class.**

ii) Financial Times Website: [www.ft.com](http://www.ft.com)

**We will use this news website to draw much of our information about banking and financial institutions in Asia. We will also draw information from the South China Morning Post from time to time.**

**Course Objective:** This course is intended to provide students with a basic understanding of financial markets by showing them how to read and understand one of the most significant sources of financial news. We will focus primarily on understanding basic concepts surrounding all areas of finance such as:

- a) What are the major individuals and institutions involved in financial markets
- b) How do these “players” make decisions on a day-to-day basis
- c) What information does the financial news provide about these players
- d) How financial data fits theories about how markets should work
- e) What financial products are most widely traded and how are they priced
- f) What do the prices of financial products tell us
- g) What are the major markets and indices and how can we gauge their performance

Because this course involves a good deal of basic material, we will NOT have adequate time to deal specifically with **FINANCIAL MARKETS IN HONG KONG**. Students interested in an in-depth treatment of this material are better advised to take Finance 221.

**Prerequisites:** This course is for non-SBM students so no previous knowledge of finance is assumed; however, a basic knowledge of statistics and calculus is required.

**Assessment:** Your grade will be computed from your combined performance on a midterm (40%) and a final exam (60%). Both of these exams will have a similar format and previous examples of each will be posted on the website prior to the exam date. This format includes questions that are: multiple choice, fill-in, true/false and numerical.

Because of new regulations regarding grading, **THERE WILL BE NO MAKEUP EXAMS.** If you miss the midterm, you will receive a zero score---NO EXCUSES. If you miss the final, you must contact ARRO for they are in charge of such matters. Nonetheless, there will not be a makeup final. If you are feeling unwell prior to an exam, my advice is to get some sleep but still take the exam.

**Questions:** On the website, I will post a section of Frequently Asked Questions (FAQs). Please refer any administrative questions (regarding exam format, grading, notes, etc.) to this website. If you email any such questions to me I will not respond.

### **Course Schedule and Outline (Subject to revision)**

- 1) Each lecture will generally cover one chapter (or a large fraction of lengthier chapters from GFT).
- 2) **You are responsible for reading each chapter BEFORE we discuss it in class.** I will attempt to make some notes available on the website covering that chapter.
- 3) It is not mandatory that you come to lectures: however, I will cover some examples in the text during lecture. As well, I may draw several of your midterm and final questions from examples discussed in class and **THESE MAY NOT BE INCLUDED IN THE CLASS NOTES.**

### **Preliminary Course Schedule**

**(Note: The week of October 14<sup>th</sup>, there will be no lectures)**

#### **Monday, September 2<sup>nd</sup>**

Welcome and Course Introduction

#### **Wednesday, September, 4<sup>th</sup>**

Readings: Vaitingam (GFT), Introduction and Chapter 1  
“Financial markets and their players”

#### **Monday, September, 9<sup>th</sup>**

Readings: GFT Chapter 1 (contd.)  
“Investors: risk and return”

#### **Wednesday, September, 11<sup>th</sup>**

Readings: GFT, Chapter 2  
“Companies: the capital market line”

#### **Monday, September, 16<sup>th</sup>**

Readings: GFT, Chapter 3  
“Financial Institutions: Depository”

#### **Wednesday, September, 18<sup>th</sup>**

Readings: GFT, Chapter 3  
“Financial Institutions: Non-depository”

#### **Monday, September 23<sup>rd</sup>**

Readings: GFT, Chapter 3  
“Financial Institutions: Investment Banks”

**Wednesday, September 25<sup>th</sup>**

Readings: GFT, Chapter 4  
“Governments and Sovereign Risk”

**Monday, September 30<sup>th</sup>**

Readings: GFT, Chapter 5  
“Market Organization: Primary and Secondary Markets”

**Wednesday, October 2<sup>nd</sup>**

Readings: GFT, Chapter 6  
“Stocks and Shares and Initial Public Offerings”

**Monday, October 7<sup>th</sup>**

Readings: GFT Chapter 7  
“More on Initial Public Offerings”

**Wednesday, October 9<sup>th</sup>**

Readings: GFT, Chapter 8  
“Market Indicators”

**\*\*Monday, October 14<sup>th</sup>**

**(No Lecture, Public Holiday)**

**\*\*Wednesday, October 16<sup>th</sup>**

**(No Lecture)---**We will make this up at the end of the course

**Monday, October 21<sup>st</sup>**

Readings: GFT, Chapter 9 and 10  
“US, European and International Equities”

**Wednesday, October 23<sup>rd</sup>**

Readings: GFT, Chapter 11  
“Managed Funds”

**Monday, October 28<sup>th</sup>**

Readings: GFT, Chapter 12  
“Bonds and Gilts: International Capital Markets”  
Midterm Q&A: For the first 30 minutes you can ask questions about material to be covered on Wednesday’s midterm

**Wednesday, October 30<sup>th</sup>**

**Midterm Examination: during entire lecture period**  
Midterm covers all lectures **through** “managed funds”  
Format: Multiple Choice, T/F and T-account manipulation format

**Monday, November 4<sup>th</sup>**

Readings: GFT, Chapter 13  
“Cash and Currency Markets, Foreign Exchange”

**Wednesday, November 6<sup>th</sup>**

Readings: GFT, Chapter 14  
“Futures and Options Markets”

**Monday, November 11<sup>th</sup>**

Readings: GFT, Chapter 15  
“Commodities Markets”

**Wednesday, November 13<sup>th</sup>**

Readings: GFT, Chapter 16  
“UK and HK Economic Indicators”

**Monday, November 18<sup>th</sup>**

Readings: GFT, Chapter 17  
“The European Union”

**Wednesday, November 20<sup>th</sup>**

Readings: GFT, Chapter 18  
“The World Economy”

**Monday, November 25<sup>th</sup>**

Readings: Handout on Singapore and Hong Kong  
“Comparison of Two Asian financial markets”

**Wednesday, November 27<sup>th</sup>**

Readings: Handout on Corporate Banking  
“Corporate Banking in Asia”

**Monday, December 2<sup>nd</sup>**

Readings: On the Chinese Financial System (to be handed out in class)  
“Chinese banking regulation and the Non-performing loan problem”

**Wednesday, December 4<sup>th</sup> (Last Scheduled Lecture)**

Readings: Handout on restructuring in China  
“Financial Restructuring in China”

**Makeup Lecture and Review Session (TBA)**