

**Hong Kong University of Science and Technology  
School of Business and Management**

**FINA 132: Introduction to Financial Markets  
Fall Semester 2006**

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Lectures: Monday, Wednesday and Friday, 12 noon – 12:50pm  
Course website: webct.ust.hk

**Pre-requisite**

None. Note: this course is for students who are not enrolled in the School of Business and Management.

**Course description**

*Introduction to Financial Markets* is an important course for those who have dealings in financial markets including business managers seeking debt and equity financing for their business activities and investors who buy and sell stocks, bonds and other financial assets in order to earn a profit. Teaching methods include lectures, in-class exercises, spreadsheet applications, and non-graded problem sets. Financial markets in Hong Kong are emphasized.

**Course objectives**

Upon completion of this course, a student should be able to:

1. Describe and explain the role and function of major financial institutions such as commercial banks, investment banks, mutual funds, and insurance companies.
2. Describe and explain the role of major financial markets such as stock, bond and foreign exchange markets, derivatives markets, stock exchanges, OTC markets, and primary and secondary markets,
3. Be able to calculate the fair market value of stocks, bonds and currencies using basic valuation models.
4. Describe and explain the role of central banks in implementing monetary policy.
5. Describe and explain the process by which interest rates are determined and be able to calculate forward interest rates.
6. Describe and explain the major purposes and practices in the regulation of financial institutions.

### **Main text**

Mishkin, Frederic S. and Stanley G. Eakins, 2006, *Financial Markets and Institutions*, Pearson Addison Wesley, fifth edition. ISBN 0-321-30812-3.

Note: This is an American textbook containing a great deal of information about U.S. financial instruments, institutions and markets. This information is not important to FINA 132 and will not be covered in quizzes and examinations. Of importance, however, are basic concepts that apply to nearly all financial systems around the world. In addition, information about Hong Kong's financial institutions, instruments and markets will be presented in class and in class notes and other handout materials.

### **Assessment**

Two in-class quizzes (25% each)	50%
Final examination (cumulative)	<u>50%</u>
Total	100%

### **Course policies and general information:**

1. PowerPoint slides and Excel spreadsheets presented in class may be downloaded from the class WebCT site before each class and printed in hard-copy form for use in class. It is suggested that when printing PowerPoint slides, choose "print slides" from the print menu and then select the "six-slides-per-page" and "grayscale" options.
2. There will be two in-class quizzes during the semester and a final examination during the university's final examination period. (See course outline for quiz dates.) The two quizzes will each count 25% and the final examination will count 50% towards the overall course grade. Students will be assessed individually on quizzes and on the final examination. No makeup quizzes will be given. If a quiz is missed for whatever reason, the grade received on the final examination will be applied to the missing quiz grade. The final examination will be cumulative.

Formats for quizzes and the final examination include numerical problems, multiple choice questions, and true/false questions. Specific information about the structure and content will be given prior to the quiz or exam. Non-programmable electronic hand calculators may be used in quizzes and examinations, but laptop computers, mobile phones and other electronic devices may not be used in quizzes or exams.

4. End-of-chapter problems in the textbook will be assigned during the semester. These problems are not to be handed in—their purpose is to help you master the material presented in the course, material that will be tested in quizzes and in the final examination. Solutions to textbook problems will be posted on WebCT.

### **Some interesting web sites relevant to this course**

[www.hkex.com.hk](http://www.hkex.com.hk) (Hong Kong Exchange—cash and derivative securities trading)  
[www.tradingcharts.com](http://www.tradingcharts.com) (historical price data presented graphically)  
[finance.yahoo.com](http://finance.yahoo.com) (current market information, historical price data)  
[finance.yahoo.com.hk](http://finance.yahoo.com.hk) (same as [finance.yahoo.com](http://finance.yahoo.com), except it's in Cantonese)  
[www.hkma.gov.hk](http://www.hkma.gov.hk) (Hong Kong Monetary Authority—lot's of good stuff here)