

FINA 690X Trading in Equity Markets
Hong Kong University of Science and Technology
Department of Finance

Instructor: Mohammed Apabhai
Date and Time: Every Friday, 19:00-22:20 from 6 Feb – 27 Mar 2009
Venue: 33/F, 9 Queen's Road Central, Central, Hong Kong

This course aims to give participants an insight into finance in action, focusing on the equity market. The emphasis will be on real life market problems. Led by a market practitioner, it will look at, amongst other things, how a trading floor works and the different forces and factors that lead to a market behaving in the way that it does. Students will apply knowledge gained in other courses in practical situations with a distinction on where theory differs from practice, and an emphasis on the needs of market practitioners.

A section on indices will give an insight into a practical problem faced by practitioners when it comes to a relatively simple problem such as measuring market performance. The course will also look at the current state of global markets, looking at the relationships between different asset markets, tracing the route to the current state as well as encouraging participants to think about what could happen in the future.

The course will assume knowledge of simple derivative instruments, but will focus more on practical real-life problems. Participants should, by the end of the course, should have an insight into issues of major importance to equity market participants. There will be a heavy emphasis on class participation and students will be encouraged and required to give their opinions on a wide range of issues pertaining to the financial markets.

Participants should bear in mind that there will be a lot of questions with no "right" or "wrong" answers - credit will be given for the strength and lucidity of the arguments presented.

Grading

Given the heavy emphasis on class participation, the grading will be as follows:

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| 1. Assignments | 20% |
| 2. Project (Presentation + written report) | 20% |
| 3. Continuous assessment/participation | 10% |
| 4. Final examination | 50% |

Assignments

Short assignments will be distributed whenever needed and are aimed to allow students to express understanding of the subject matter. These are to be done on an individual basis. Students will be required to demonstrate a clear knowledge of current international economic and political events.

Project

Students will be required to complete a project on a subject pertaining to a current market situation or event and will focus on the understanding as well as forecasts and recommendations as to what to do. Students should agree on an area of interest in week 1 about their chosen topic. Students have the choice of working in 2s or 3s and will be required to present their results in week 4. In week 7, students will be given an opportunity to upgrade their views in light of the changing market environment. Grades will depend on the quality of the presentation and the report. Demonstrating original thought will be considered at a premium to answers gleaned from other material.

Recommended Textbooks

John Hull, *Options, Futures and Other Derivatives*, Sixth Edition, Prentice-Hall, 2006 (Required reading). Students will be required to read and display knowledge of the current financial press. The Financial Times, Asian Wall Street Journal or the Business section of the SCMP should be read.

Optional Reading

Nassim Taleb, "Fooled by randomness"

Barton Biggs, "Wealth, War and Wisdom"

RA Schwartz and R Francioni, "Equity Markets in Action: The Fundamentals of Liquidity, Market Structure and Trading"

Larry Harris, "Trading and Exchanges: Market Microstructure for Practitioners"

L Rosenberg, N Weintraub and A Hyman, "ETF Strategies and Tactics"

Current affairs magazines such as The Economist, Time or Newsweek as well as watching Bloomberg Television or CNBC to gain an insight into the main market events.

Additional readings will be provided as required.