

Hong Kong University of Science & Technology

Introduction to Financial Markets (FINA132)

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Consultation hours: by appointment
Lecture hours: Tuesdays & Thursdays 12:00 – 13:20pm, LTD

COURSE DESCRIPTION

This course will introduce the basic concepts such as present values, interest rates of financial markets. Since the core function of financial markets is to channel funds from savers/lenders to borrowers/producers who have the productive opportunities, this course will study the institutions that carry out this function. After completing the course, students should have the basic understanding of the time value of money, interest rate, bond market, stock markets, option market and commercial banking.

PREREQUISITES

No prerequisite.

READING MATERIALS

Reference/Textbook

Frederic S. Mishkin & Stanley G. Eakins, **Financial Markets & Institutions**, Pearson; a copy will be put in the library reserve.

Supplementary materials will be also be provided.

Evaluation

The course evaluation is as follows:

Assignments	20%	
Midterm exam		25%
Final exam	55%	

Assignments

Most of the assignments will be the end-of-chapter exercises of the textbook. There will be 2 assignments.

Examinations

There will be a mid-term and final examination. They will comprise MC, short questions and long questions. Short questions test simple calculations and concepts. Long questions require analysis.

COURSE OUTLINE

- Week 1** **Introduction – Time value of money, DCF technique.**
Supplementary notes
- Week 2** **Introduction to financial market**
Reading: M&E Chapter 2
- Week 3** **Interest rate; Bond**
Supplimentary notes; Chapter 3
- Week 4** **Stock market**
Supplementary notes; Reading: M&E Chapter 11
- Week 5** **Stock market**
Supplementary notes
- Week 6** **Introduction to portfolio theory: Risk and Return**
Supplementary notes
- Week 7** **Portfolio theory**
Supplementary notes
- Week 8** **Midterm**
- Week 9** **Portfolio theory**
Supplementary notes
- Week 10** **Commercial Banking**
Reading: M&E Chapter 17
- Week 11** **Commercial Banking**
Reading: M&E Chapter 17
- Week 12** **Hong Kong Banking system**
Supplementary notes
- Week 13** **Option**
Supplementary notes
- Week 14** **Option**
Supplementary notes.