

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

FINA 132: Introduction to Financial Markets
First Semester, 2005-2006

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

Pre-requisite

None. 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 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. Describe and explain the process by which interest rates are determined and apply basic techniques for determining forward interest rates.
4. Describe and explain the major features of stocks and bonds and apply basic stock and bond pricing models.
5. Describe and explain the operation of futures and options markets including hedging applications and apply basic methods for pricing futures and options contracts.
6. Describe and explain stock warrants, equity linked notes and mortgages.

Main text

Fabozzi, Frank J. *et.al.*, 2002, *Foundations of Financial Markets and Institutions*, Prentice Hall, third edition. ISBN 0-13-018079-3.

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 markets 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

In-class quizzes (2)	50%
Final examination	<u>50%</u>
Total	100%

Course policies and general information:

1. Students are expected to come to class **on time**.
2. 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.
3. 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.

Possible formats for quizzes and the final examination include numerical problems, multiple choice questions, and true/false questions. More specific information 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.

4. Several problem sets will be distributed via WebCT during the semester. These problem sets 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 the final exam. Solutions to problem sets will be posted on WebCT.

Some interesting web sites relevant to this course

www.hkex.com.hk (Hong Kong Exchange—cash and derivative securities trading)
www.tradingcharts.com (historical price data presented graphically)
finance.yahoo.com (current market information, historical price data)
finance.yahoo.com.hk (same as finance.yahoo.com, except it's in Cantonese)
www.financeasia.com (site contains current news and other information about the financial services industry)