



Economics Department
Queens College

BUS351 Financial Markets

Fall 2007

BUS 351: prerequisite: BUS241; highly recommended: MATH131

Professor: Leanne Ussher

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Lectures: T/Th 1:40 – 2:55pm, PH 154

T/Th 6:30 – 7:45pm, PH 154

Office Hours: T/Th 4.30 – 5.30pm (PH 300-O), other times by appointment

Description:

This course surveys money, capital, foreign exchange and derivative markets. Emphasis is on financial market participants, trading mechanisms, instruments and institutions. In pricing securities the standard risk and return analysis is supplemented with a third important factor – that of market microstructure. The addition of liquidity analysis distinguishes investing from trading. Students will learn the jargon of financial markets, gain insight into how financial instruments are created and traded, and learn data collection techniques using Bloomberg and Excel. Mathematical tools and economic concepts will be analyzed over the semester to help students organize their thinking about financial assets and markets. To aid understanding students will simulate trading in classroom experiments, be required to keep topical with current events by reading the *Financial Times* and maintain a portfolio of different securities, and find and analyze financial data.

Prerequisite:

Corporate Finance BUS 241 must have already been taken with a passing grade. Please review your knowledge of present value and future value calculations covered in BUS241 and from the Time Value handout on Blackboard. Students who have not taken this course, or do not have permission from the instructor will be dropped from the class.

Required Text:

- Saunders, Anthony & Marcia Millon Cornett (2007) *Financial Markets and Institutions: An Introduction to the Risk Management Approach* McGraw Hill, third edition. ISBN 0073041696 or ISBN 0073250937
Available at the QC Bookstore and on reserve at the Library, available online second hand for about \$50.
Website: <http://www.mhhe.com/sc3e>
Here you can find power point slides, test yourself with multiple choice questions, practice implementing financial concepts with the Interactive FinSims exercises, and find data.
- Ross Miller (2002) *Paving Wall Street : Experimental Economics and the Quest for the Perfect Market* On reserve at the Rosenthal Library. Chapters 1 – 7 are required. You can purchase the paper back version which has a different title but it is the same book *Experimental Economics: How We Can Build Better Financial Markets*. (Used copies sell for \$10 on Amazon).

Required Individual Subscription to the *Financial Times* (or *Wall Street Journal*):

- Students will be required to regularly read the *Financial Times* (FT). Quiz questions will be on nominated articles from the FT. 2 Assignments will be based on Financial Times articles. Subscriptions can be for the online or print version.

Suggested Text (not required):

- Prepared by William Lepley (2004) *Study Guide for use with Financial Markets and Institutions*, 2nd Edition, ISBN 0072824573
On reserve at the Library.

Blackboard:

Check Blackboard regularly by logging onto Blackboard through the CUNY portal.

<http://www.cuny.edu>

The syllabus, course documents, lecture notes, important announcements, your assignment questions, practice quizzes, and grades will be posted on the Blackboard website. You are responsible for checking Blackboard for information. Without the correct email on Blackboard you will not receive class email notices.

Every student must update their contact email on Blackboard!

For questions on the homework assignment or quiz questions you may make use of the “Discussion Board.” Post your questions here so that I, or other students, can publicly answer them for all students to see.

Course Requirements:

The course grade will be based on 6 components. The assessment weights are as follows:

1. Attendance and Class Participation: 5%
2. Best 4 quizzes (2 lowest scores out of the 6 are dropped): 20%
3. Assignment 1, Treasury Yield Curve & Spread: 15%
4. Assignment 2, Market Microstructure: 15%
5. Assignment 3, Bloomberg/Excel Portfolio: 15%
6. Final Exam on the entire course: 30%

Quizzes:

There are 6 quizzes, 15 minutes each, taken before the beginning of class. The content of the quiz will primarily come from the S&C text (chapters listed below) and current affairs regarding the class topic from the FT .

Quiz 1 : chapters 2 and 3

Quiz 2 : chapter 4 and term structure of interest from chapter 2

Quiz 3 : chapters 5 and 6 plus duration from chapter 3

Quiz 4 : chapters 9

Quiz 5 : chapter 10

Quiz 6 : chapter 8

Each quiz consists of approximately 15 questions: true or false, multiple choice and short answers. Read and summarize the relevant chapter(s) in the text, and read the FT. These quizzes are not easy. Past students who did not read the chapter usually failed the quiz. Practice quizzes are available on Blackboard and the text book website. A selection of similar (but not identical) questions will appear in the final exam.

Assignments:

There will be 3 assignments, the first is on the term structure of interest rates and you will plot and compare 3 *Treasury yield curves*, and a time series of *yield spreads*, using data from *Bloomberg*. These topics are discussed widely in the *FT* or *WSJ* and you should clip articles that might be relevant during the semester and include them in your report. The second assignment will involve the RIT trading platform. The third assignment will consist of a paper trail of your trading in *stocks, bonds, stock options and futures*, along with some analysis in *Bloomberg*.

Each assignment requires the collection and assessment of financial data. Each assignment should use proper citation methods. While students can join together in teams to talk about the assignment and the manner in which they should collect or analyze the data using Excel and Bloomberg, the final written product should be each student's own composition. Plagiarism from either external sources or other Queens College students has in the past led to a failing grade for students in this component. Each final assignment must be both submitted via the digital drop box in Blackboard and as a printed hard copy handed to the Professor in class. A signed statement (available from Blackboard) admitting no plagiarism must be attached to the front of the hard copy of each assignment, otherwise the assignment will not be considered submitted. Points will be deducted for lateness.

Final Examination:

There will be no mid-term exam. The final exam is cumulative over the entire course. The Final exam will consist of multiple choice, and short and long answer questions. It will be based on the in-class quiz questions, practice quiz questions, assignments and class lectures. The best preparation for the exam is to read and summarize the relevant text chapters, take notes during class on top of the power point slides from the text, and practice quiz questions on Blackboard.

Extra Credit:

Extra Credit will be given to students who become Bloomberg Certified by the end of the class. Extra credit means that borderline students will get 1 extra point. While Bloomberg familiarity is necessary to complete assignments, Bloomberg Certification is not necessary to do well in the class. Bloomberg certification can only take place at the single Bloomberg terminal located in the foyer of PH300-O. Please bring your head phones to listen to the instructional videos.

Other important course policies:

1. Come to class prepared by reading the relevant chapter. Make a detailed summary of the chapter's key points. Since the final exam is on the entire course you will use these summaries of each chapter in preparation for the exam.
2. Each week you will need to spend at least 6-9 hours outside of class reading and taking notes.
3. Be sure to take all the practice quizzes on Blackboard. Try to improve quiz answers post submission. Any problems in answering these questions should alert you on which topics to focus on in the text. You must read (and summarize) the relevant chapters in the text to pass the quiz. Students who just read the power point lecture notes will find that they do not have sufficient detail to answer the quiz questions.
4. Keep abreast of current financial news by reading the FT or WSJ. Be selective, you don't need to read every article, just those that are relevant to the quizzes, class material and to your own interests. Mark and clip the articles that are relevant for assignment questions. Even if you don't read them now you can read them later when you might need them.
5. Any form of cheating will be severely punished. Anyone caught cheating during an exam will be given failing grade for the exam without any exceptions. Assignment papers with obvious traces of cheating (identical elaborate mistakes for instance) will be severely punished. Plagiarism is also considered cheating and has severe penalties. All suspected cases of academic misconduct will be reported to the department, the Vice President for Student Affairs, and the judicial hearing officer.
6. If you miss a class, you are responsible to get a copy of the notes from your classmates.

Each class period includes required readings from the text book. Dates in the course outline are approximate and subject to change. Chapters 1 and 3 of the S&C text are available on Blackboard.

Course Calendar Fall 2007 BUS 351:

Class Meeting Date W/F	Subject	Required Reading (*Suggested)
Aug 28 & 30	What are financial markets? Interest Rates and Security Valuation	S&C Chapter 1 & 3 Time Value of Money (BB) Miller Chapter 1
Sept 4 & 6	Determinants of Interest Rates	S&C Chapter 2 & 3 Chapter 6 pp. 154 - 159
Sept 11 (Rosh Hashanah)	Interest Rates and the Central Bank Quiz I on Chapters 2 & 3 (Sept 15th)	S&C Chapter 2 & 4
Sept 20	Video on the US Treasury and Central Bank History	S&C Chapter 4
Sept 25 & 27	Monetary Policy	S&C Chapter 4
Oct 2 & 4	Bond and Money Markets Quiz II on Chapter 4, end of chapter 2, and FT (Oct 4th)	S&C Chapter 5 & 6
Oct 9 & 11	Stock Market	S&C Chapter 9 Miller Chapter 1,2, & 3
Oct 16 & 18	Stock Market Quiz III on Chapters 5 & 6 and FT (Oct 18th) In Class Experimental Trading as in Miller Ch3 (Oct 18 th)	S&C Chapter 9 Miller Chapters 3 & 4
Oct 23 & 25	Rational Expectations and EMH Quiz IV on Chapter 9 and FT (Nov3rd)	RE Lecture Slide (BB) Thaler's Experiment (BB) Miller Chapter 4 & 5 *Larry Harris (1993) (BB)
Oct 30 & Nov 1	Stock Markets and Liquidity	*Miller Chapter 9 *Bernstein 1987 (BB)
Nov 6 & 8	Derivatives	S&C Chapter 10 *Miller Chapter 7
Nov 13 & 15	Derivatives	S&C Chapter 10
Nov 20 (Thanks Giving)	Foreign Exchange Quiz V on Chapter 10, and FT	S&C Chapter 8
Nov 27 & 29	Foreign Exchange	S&C Chapter 8
Dec 4 & 6	Exam Review Quiz VI on Chapter 8, and FT (Dec 6th)	
Dec 11	Exam Review	
Final Exam will be combined for both Morning and Afternoon Classes		S&C Chapters 1-10 excluding Chapter 7 Plus long answer questions (BB) posted on Blackboard