

Macalester College
ECONOMICS 356-01: CAPITAL MARKETS
2009 –Spring semester
T.Th., 1:20 P.M.– 2:50 P.M., CAR305

Professor: Liang (Leon) Ding, Office: Carnegie Hall 310E
Email: ding@macalester.edu Phone: 651-696-6822
Office Hours: Monday and Wednesday 3:00pm –4:30pm, Students who cannot make these office hours are encouraged to schedule appointments at more convenient times. Additional office hours will be arranged before exams.
Web Site: <http://www.macalester.edu/courses/econ356>

COURSE DESCRIPTION AND OBJECTIVES

This course is intended to provide students with basic financial markets concepts and principles. It mainly covers several major financial markets including money market, bond market, stock market, foreign exchange market, mortgage market, future and forward market, option market and other financial derivative markets. For each market, we focus on basic concepts, market structure, price discovery process, players, techniques to analyze the market and factors that affect the price of financial instruments.

By the end of the class, students should 1) know the concepts used in financial markets, 2) understand financial theories and models, 3) apply principles and models to solve practical problems. You may not learn how to start your own business or how to get rich quick through the stock market, but hopefully you will know more at the end of the term about how financial instruments are traded in the markets and how to analyze the markets.

COURSE TEXT AND READINGS

Financial Markets and Institutions (Hardcover, 2005), Jeff Madura (ISBN 032428845X)

GRADING

Your grade will be determined by one midterm exam, one comprehensive final exam, 5 problem sets and 2 group projects. The midterm will be worth 25% of your overall grade, and the cumulative final exam will be worth 34%. The problem sets will determine 25% of your overall grade (5% each). The group projects are worth 16% (8% each).

Problem sets (5)	$5 \times 5\% = 25\%$	Midterm	25%
Group projects (2)	$2 \times 8\% = 16\%$	Final exam	34%

1) Exams are closed book exams, but student can bring one A-4 size cheat sheet and calculators; 2) **Problem sets are due at the beginning of class on the day indicated.** You may work with other students in this class on homeworks, but you must prepare your own answers to the homework. 3) Each group turns in only one project report that lists group members' names on the cover at the beginning of class on the day indicated.

EXAM DATES

Midterm: Thursday, March 12, 1:20 P.M. – 2:50 P.M.
Final Exam: Friday, May 8, 1:30 P.M.-3:30 P.M.

EXAM MAKE-UP POLICY

There will be no make-ups given on midterm exam. If you miss the midterm and have an excused absence, the final will be counted 59%. If you miss an exam without an excused absence, you will automatically receive a zero. If you miss the final exam and have an official excuse, you can have a make-up exam. No make-up for homework.

MISCELLANEOUS

Calculator: You can survive in this class with regular calculators, but you'd better have a calculator which can perform present values and other financial calculations. Check the manual of your current calculator to make sure. If you do not have one and want to buy, my recommendation is HP 10BII or Texas Instruments BA II PLUS (CFA exam approved) financial calculator. (About \$30 each)

Guests talk: we might have a couple of guests visiting our class throughout the semester, and schedules will be notified later.

COURSE OUTLINE

This is only a tentative schedule and could change as the semester unfolds, but I hope to stick to it.

date	weekday	Topics	Assignments	Chapters
1/27	Tuesday	Introduction and Time value of money		
1/29	Thursday	Term structure of interest rates	HW1 post	3
2/3	Tuesday	Market structure		12
2/5	Thursday	Market efficiency	HW1 due	11, pp312-315
2/10	Tuesday		HW2 post	
2/12	Thursday	Stock Market		10,11
2/17	Tuesday		HW2 due	
2/19	Thursday		Project 1 post	
2/24	Tuesday			
2/26	Thursday	Money market		6
3/5	Tuesday			
3/5	Thursday	Group presentation	Project 1 due	
3/10	Tuesday	Bond market		7,8
3/12	Thursday	Midterm		
3/14-3/22		Spring Break		
3/24	Tuesday	Exam return and Bond market	HW3 post	7,8
3/26	Thursday	Foreign Exchange Market		16
3/31	Tuesday		HW3 due	
4/2	Thursday		Project 2 post	
4/7	Tuesday	Flexible		
4/9	Thursday	Mortgage market	Project 2 due	9
4/14	Tuesday		HW4 post	
4/16	Thursday	Forward and Futures		13,16
4/21	Tuesday		HW4 due	
4/23	Thursday	Options	HW5 post	14
4/28	Tuesday			
4/30	Thursday	Swap	HW5 due	15,16
5/5	Tuesday	Review		
5/8	Friday	Final exam (1:30-3:30pm)		