

## International Financial Markets (ECO1102e)

### Syllabus

#### Winter Term 2020-21

<b>Weekly hours:</b>	2
<b>ECTS-Credits:</b>	3
<b>Workload:</b>	90 hours, 30 hours within class, 60 for self-study
<b>Time:</b>	Friday 12:00-13:30
<b>Start:</b>	09.10.2020
<b>End:</b>	29.01.2021
<b>Level:</b>	Advanced
<b>Prerequisites:</b>	Basic knowledge in Microeconomics

#### Teaching and Learning Approach:

The lecture is organized according to the flipped classroom concept. The subject matter is available as video lectures and additional learning material on my Moodle page (<https://tinyurl.com/Moodle-Page-Maurer>). The lectures will take place in my online-office (<https://tinyurl.com/Office-Maurer>) at the regular times. During the lectures the subject matter will be discussed and additional exercises are made.

My colloquium will take place in my online-office (Friday from 13:45 to 15:15).

To access Alfaview you need to install the free Alfaview software, which is available on <https://app.alfaview.com>.

#### Grading:

Grading will be based on a 60 minutes written exam at the end of the semester. To pass the exam, 50% of the points out of a maximum of 60 points have to be reached. Written examination examples with sample solutions are available on my Moodle page too.

### Outline of the Course

#### 1. How Capital Markets Work

- 1.1. Supply and Demand on Capital Markets
  - 1.1.1. Why People Save
  - 1.1.2. Why People Invest
- 1.2. Capital Markets and Risk
  - 1.2.1. Why People Don't Like Risk
  - 1.2.2. How People Handle Risk
- 1.3. Basic Evaluation Techniques for Capital Markets

- 1.3.1. The Discounted Cash-Flow Method
- 1.3.2. The Internal Rate of Return Method
- 1.3.3. Risk and Return: The Sharpe Ratio

## **2. Major Markets and Their Assets**

- 2.1. Capital Markets
  - 2.1.1. Credit Markets
  - 2.1.2. Stock Markets
- 2.2. Foreign Exchange Markets
  - 2.2.1. Spot Markets
  - 2.2.2. Forward Markets
- 2.3. Derivatives
  - 2.3.1. Forwards and Futures
  - 2.3.2. Options

## **3. Macro Economic Policy and International Financial Markets**

- 3.1. How Central Banks Work
- 3.2. Central Banks and International Financial Markets
  - 3.2.1. The Interest Rate Parity Channel
  - 3.2.2. The Purchasing Power Parity Channel

## **4. Financial Market Crises**

- 4.1. The Ingredients of a Financial Market Crisis
- 4.2. Lessons from History
  - 4.2.1. The Dutch Tulip Crisis 1636-37
  - 4.2.2. The World Economic Crisis of 1929
  - 4.2.3. The Dot-com Crisis 2000
  - 4.2.4. The Subprime Crisis 2007-09

### **Course Materials:**

- Lecture Notes: [http://www.rainer-maurer.com/pageID\\_9427996.html](http://www.rainer-maurer.com/pageID_9427996.html)

### **Basic textbooks:**

- Mankiw, N.G., Principles of Economics, (Chapter 4, 18, 25)
- Mankiw, N.G., Macroeconomics, (Chapter 7)
- Fell, Lindsay: Financial Products and Markets, (Chapter 3, 4, 5, 6, 7, 8)
- Kohn, Meir (1994): Financial Institutions and Markets, (Chapter 17, 18, 19, 21 25, 26)

### **Additional literature:**

- Feldstein, M., (2002), Economic and Financial Crises in Emerging Market Economies: Overview of Prevention and Management, NBER Working Paper 8837
- Kindleberger Charles, Robert Aliber, (2005), Manias, Panics and Crashes, A History of Financial Market Crisis
- Minsky, Hyman, 1991, The Financial Instability Hypothesis, Bard College Working Paper, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=161024](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=161024).

- Minsky, Hyman, 1992, Financial Crisis: Systemic or Idiosyncratic, Bard College Working Paper, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=161024](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=161024)
- Rogoff, K. and Carmen Meinhardt, (2008), This Time is Different: A Panoramic View of Eight Centuries of Financial Crisis. Havard University Working Paper, [www.economics.harvard.edu/faculty/rogoff/files/This\\_Time\\_Is\\_Different.pdf](http://www.economics.harvard.edu/faculty/rogoff/files/This_Time_Is_Different.pdf)

**Course Topics:**

Enable students to

- analyze the nature, and functions of the financial system.
- evaluate the role of financial markets as they serve the needs of economic units, both domestically and globally.
- analyze the role of central banks and international financial institutions with respect to financial markets
- use the language and terminology appropriate to financial markets.
- use basic financial mathematics applied to the pricing of financial market instruments.
- assess the operations on the foreign exchange market
- evaluate the main features of security, equity and derivative markets
- understand the causes and consequences of financial market crisis

**Course contributions to bachelor programs' common learning goals:**

Learning Objective / Outcome		Contributions to learning objectives	Assessment
	<b>Expert knowledge</b>		
1.1	Students show that they have sound basic Knowledge in Business Administration.	Importance of macroeconomic conditions (business cycle, inflation, wage, etc.) for business decisions.	Discussions within class, Cases, Exercises within class, Discussions of questions for review within colloquium and via email, Written exam
1.2	Students show that they have sound basic Knowledge in Economics.	The data for macro-economic analysis, most important short-and long-term theories of macroeconomic economic development, economic policy implications of these theories (business cycle - vs. growth policy, short-and long-term effects of monetary and fiscal policy, ...), application to issues of current economic policy.	
1.3	Students show that they have sound basic Knowledge in Business Law.		
1.4	Students show that they have sound basic Knowledge in Quantitative Methods.		
	<b>Use of information technology</b>		
2.1	Students demonstrate proficiency in using computer programs to solve business problems..	X	

2.2	Students are able to use information systems effectively in real world business settings.		
3.	<b>Critical thinking and analytical competence</b> Students are able to apply analytical and critical thinking skills to complex problems.	Critical discussion of competing theories regarding policy recommendations and conclusions. Ability to distinguish positive from normative questions and development of own positions on normative issues of economic policy.	see above
4.	<b>Ethical awareness</b> Students are able to develop business ethics strategies and apply them to typical business decision-making problems.	Analysis of the macroeconomic consequences of normative concepts, chances and risks of these concepts, evaluation of short-and long-term goals, unemployment and inflation, economic growth and welfare development, etc.	see above
5.1	<b>Communication skills</b> Students are able to express complex problems effectively in writing		
5.2	Students demonstrate their oral communication skills in presentations and papers.	X	
6.	<b>Capacity for teamwork</b> Students show that they are able to work successfully in a team by performing practical tasks.	X	

### Teaching and Learning Approach:

Lecture notes and additional material is available on my homepage [www.rainer-mauer.de](http://www.rainer-mauer.de) in form of Powerpoint presentations and PDFs. Print the PDFs and complete them during the lectures. The Powerpoint presentation can be used to repeat the subject matter of the lecture on your PC.

**Responsible:** Rainer Maurer