

# EC1030: Introduction to financial markets (2016-2017)

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View Online



18 items

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## LECTURE OUTLINE:

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### (1) An Introduction to Financial Assets and Markets (1 items)

- What are financial assets and what are their principal economic functions?
- What are financial markets, how can they be classified and what role do they play?
- Why do financial markets need to be regulated?
- The role of financial intermediaries.

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Financial markets and institutions, by Jeff Madura, 2018

[Book](#) | Core (purchase required) | Chapter 1

### (2) Theories of the determination of Interest Rates (1 items)

- The Loanable Funds Theory
- Fisher's theory of interest rate determination

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Financial markets and institutions, by Jeff Madura, 2018

[Book](#) | Core (purchase required) | Chapter 2

### (3) The relationship between interest rates and bond prices (1 items)

- Introducing the concepts the Time Value of Money, Compounding and Discounting
- □Bond Valuation
- □Factors effecting bond prices
- □The relationship between interest rates and bond prices
- □Special types of bonds

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Financial markets and institutions, by Jeff Madura, 2018

[Book](#) | Core (purchase required) | Chapters 3 and 8

### (4) Bond Markets (1 items)

- □The government and the corporate bond markets
- □Characteristics and different types of bonds

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Financial markets and institutions, by Jeff Madura, 2018

[Book](#) | Core (purchase required) | Chapter 7

### (5) Equity Markets I (1 items)

- □ The distinction between private and public companies
  - □ Types of equity finance: Ordinary vs preference shares
  - □ The primary market and secondary markets and why people use them?
  - □ Methods of raising equity finance
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**Financial markets and institutions**, by Jeff Madura, 2018

**Book** | **Core (purchase required)** | Chapters 10 and 11

## 6-) Equity Markets II

1- Stock Valuation Methods

□□ Price-Earnings Method

□□ Dividend Discount Model

□□ Free Cash Flow Model

□□ Capital Asset Pricing Model

2- Factors that Affect Stock Prices

3- Stock Risk: Volatility of a Stock Portfolio

4- Stock Market Efficiency

## 7-) Central Bank

1) Overview: Organizational Structure of Central bank

2) How the CB Controls the Money Supply (monetary policy tools):

□□ Open Market Operations

□□ How CB Operations Affect All Interest Rates, examples over the period (200-2014).

□□ Adjusting the Reserve Requirement Ratio

3) Mechanics of Monetary Policy

□□ Monitoring Indicators of Inflation

□□ Advantages of inflation targeting:

□□ Disadvantages of inflation targeting

4) How Monetary Policy Responds to Fiscal Policy (with framework example)

5) How financial market participants respond to the CB's policies

6) Difficulties of monetary policy

## 8-) Commercial Bank

1- Bank Market Structure

2- Bank Sources of Funds (Deposit Accounts-Borrowed Funds-Long-Term Sources of Funds).

3- Distribution of Bank Sources of Funds, Example: Balance Sheet of Bank as of 2013 and/or 2014

4- Participation of Commercial Banks in Financial Markets

5- Bank Management ( Managing Liquidity-Managing Interest Rate Risk-Managing Credit Risk-Managing Market Risk-Management of Bank Capital)

6- Bank Performance :Valuation of a Commercial Bank

## 9-) Derivative Markets

1) □ Financial Futures Markets: Background on Financial Futures Markets

□□ Interest Rate Futures

□□ Stock Index Futures

2) Purpose of Trading Financial Futures

□□ Speculators

□□Hedgers

3)□Options Markets

□□Call Option

□□Put option

4) Determinants of Stock Option Premiums (call option - put option)

## 10-) Foreign Exchange Markets

1- Background on foreign exchange markets

2- Exchange Rate Quotations

3- Types of Exchange Rate Systems (Floating exchange rates- Pegged Exchange Rate System).

4- Central Bank Intervention : example during crises

5- Forecasting techniques:

□□Technical forecasting

□□Fundamental forecasting

□□Market-based forecasting

□□Mixed forecasting

6- Use of Foreign Exchange Derivatives for (Hedging- Speculating).

7- Eurozone Arrangement

8- Eurozone Crisis: Abandoning the Euro

### READING LIST:

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#### Main text: (1 items)

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Financial markets and institutions, by Jeff Madura, 2015

[Book](#) | Core (purchase required) | Any edition will be OK

#### Essential reading: (3 items)

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Financial Times

[Journal](#) | Essential reading

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The Economist

[Journal](#) | Essential reading

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A Dictionary of Finance and Banking, edited by Jonathan Law; John Smullen, 2008-01-01

[Book](#) | Essential reading

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#### Supplementary texts: (7 items)

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Financial markets and institutions, by Peter G. A. Howells; K. Bain; Peter G. A. Howells, 2007

[Book](#) | Other reading

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Financial markets and institutions, by Frederic S. Mishkin; Stanley G. Eakins, 2015

[Book](#) | Other reading

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The UK financial system: theory and practice, by M. J. Buckle; John L. Thompson, 2016

[Book](#) | Other reading

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**The UK monetary and financial system: an introduction**, by John Gilbody, 1988

[Book](#) | Other reading

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**Financial institutions, markets and money**, by David S. Kidwell, c2013

[Book](#) | Other reading

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**Financial institutions and markets**, by Meir G. Kohn, 2004

[Book](#) | Other reading

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**British financial markets and institutions**, by J. Piesse; K. V. Peasnell; C. W. R. Ward, 1995

[Book](#) | Other reading