

**FNCE 4430: Capital Markets**  
**Loyola Marymount University**  
**Fall 2015**

**Section 01: Monday, 4:20pm – 7:00pm; Room: Hilton 109**

**Section 02: Wednesday, 4:20pm – 7:00pm; Room: St. Robert's Hall 356**

**Section 03: Monday and Wednesday, 12:40pm – 2:10pm; Room: Hannon Library 324**

**Instructor Name: Joshua D Spizman**

**My Office:** Hilton 254

**Phone:** (310) 338-2902

**Email:** joshua.spizman@lmu.edu

**My Office Hours:** Monday and Wednesday: 10:00am – 11:30am;

Tuesday: 1:00pm – 3:00pm;

or by appointment

**Required Text(s):**

Saunders and Cornett, Financial Markets and Institutions, McGraw-Hill Irwin, 6<sup>th</sup> ed., 2015.

- 5<sup>th</sup> Edition will be fine

Access to the Wall Street Journal or Financial Times is *highly* recommended.

**Course Prerequisites**

FNCE 3410 with a minimum grade of C (2.0)

**Course Description**

This course is intended for the student who wants to gain a deeper understanding of the history of different financial markets and institutions and the role they play in the economy as a whole. The course introduces students to the basics of financial markets and institutions, extending the basics of the stock and bond markets covered in Fundamentals of Finance (FNCE 3410). The key topics include the role of financial markets and institutions in the economy, determinants of interest rates, the history and role of the Federal Reserve, and the structure of various financial markets (equity, money, bond, and mortgage). If time allows, we will study investment banks, hedge funds, and mutual funds and the role they play in financial markets and the economy at large.

## **Learning Outcomes:**

### **Part 1:**

1. Understand the role of government and need for government regulation in the financial system
2. Understand how interest rates are determined and the implications this has on financial markets and valuation
3. Understand the role of Federal Reserve and its history
4. Understand the role financial intermediaries' play in the general financial system

### **Part 2:**

1. Understand the concept of information asymmetry
2. Understand the concepts of moral hazard and adverse selection and know their similarities and differences
3. Do basic computational problems relating to moral hazard/adverse selection
4. Understand the Efficient Market Hypothesis and compare argument in support of, and against the EMH
5. Understand why different financial markets exist and key benefits they provide

### **Overall Themes:**

1. Understand the history of financial markets and institutions in order to think critically about current events
2. Be able to effectively communicate financial concepts and interpret current financial events

## **Course Structure:**

**Writing Flag:** This course has a writing flag. You should expect a significant amount of writing throughout the semester via blogging, case studies, and other relevant assignments.

**Financial Modeling:** There will be some basic financial modeling taught in this course using Microsoft Excel.

**Learning Modules:** The course is broken into learning modules. Each module will have assigned readings, learning objectives, any financial modeling component, and *at least* one writing component. In addition to this, a link will be made regarding how that module links back to, and extends material from FNCE 3410. A key benefit to the learning module structure is that it allows flexibility in what we cover. Therefore, it is possible that things will change as the semester goes forward.

## **Assignments:**

**Homework:** Homework questions will be posted to accompany each learning module. These will be separate from writing and financial modeling assignments. Homework will not be collected nor graded. These assignments are designed to re-enforce class concepts and help prepare you for exams. Answer keys to all homework assignments will be posted.

**Blogs:** Throughout the semester, there will be short writing assignments in the form of a blog to better develop critical thinking skills and gain a deeper understanding of certain topics.

**Case Study:** There will be two case studies assigned during the semester.

**Comment Letter:** The comment letter will require you to read a new proposed SEC law and write a comment on it. This stems from the SEC website, where they say: “We encourage the public to submit comments on the following proposed rules during the comment period.”

**Exams:** There will be two exams during the semester. All exams are closed book and closed notes.

### **Makeup Policy**

**MAKE UP EXAMS ARE NOT ALLOWED.** You are expected to take the examinations on the scheduled dates and times, including the final exam at the time scheduled in accordance with the LMU final exam schedule (listed below). Vacations, appointments, and forgetfulness are not considered valid excuses to miss an exam.

If you are unable to be present for a legitimate, unavoidable **emergency**, you are required to give me notification of your reason **prior** to the time of the examination or you must contact me as soon as possible via email, telephone, or in person upon learning of the emergency. I will require **written documentation** to excuse you from an exam. If you are not sick enough to consult a doctor and obtain a doctor’s excuse, then you are not considered sick enough to miss the exam.

If you *are excused* from an exam, you will be allowed to take a **special comprehensive final exam** that will count for 30% of your course grade. The decision to give a special comprehensive final exam will be made on an individual basis in those cases where your absence from the regularly scheduled examination is for a legitimate, **unavoidable** and verifiable (documented) reason.

**Class attendance:** Classroom attendance is required. You are responsible for all of the material discussed in class, assigned in the readings, and assigned end-of-chapter problems. If you must miss class, please do the following:

1. Get notes from someone who attended class.
2. Review notes and work out the problems.
3. See me if you need further clarification, and only after you have completed steps 1 & 2.

**Grading:**

Your cumulative course score will be based on the following schedule. I do **NOT** give extra credit assignments. You are responsible for your own performance.

**Schedule**

Exam 1 Score	15%
Exam 2 Score	15%
Blogs	15%
Case Study #1	10%
Case Study #2	10%
Comment Letter	10%
Financial Modeling Assignments	15%
Other writing assignments	<u>10%</u>
	<u>100%</u>

The required assignments will be weighted as presented above. The final course grades may be curved. In no case will a student do worse than a “straight grading scale” (>90%=A-, >80%=B-, >70%=C-, > 65% = D). Pluses and minuses for the letter grade are given based on the class curve for the final total points. In the event of no other writing assignments being given, an average of Case Study #1, Case Study #2, and the Comment Letter will be used for the “other writing assignments” 10%.

**Tentative Nature of the Syllabus:** If necessary, this syllabus and its contents are subject to revision; students are responsible for any changes or modifications distributed in class or posted on LMU's course management system MYLMU Connect (if you are using that technology).

**Academic Honesty Policy:** Academic dishonesty will be treated as an extremely serious matter, with serious consequences that can range from receiving no credit for assignments/tests to expulsion. It is never permissible to turn in any work that has been copied from another student or copied from a source (including Internet) without properly acknowledging the source. It is your responsibility to make sure that your work meets the standard of academic honesty set forth in the “LMU Honor Code and Process” which appears in the *LMU Bulletin 2014-2015* (see [http://www.lmu.edu/about/services/registrar/Bulletin/Bulletins\\_in\\_PDF\\_Format.htm](http://www.lmu.edu/about/services/registrar/Bulletin/Bulletins_in_PDF_Format.htm).)

**Americans with Disabilities Act:** Students with special needs as addressed by the Americans with Disabilities Act who need reasonable modifications, special assistance, or accommodations in this course should promptly direct their request to the Disability Support Services Office. Any student who currently has a documented disability (physical, learning, or psychological) needing academic accommodations should contact the Disability Services Office (Daum Hall Room 224, 310-338-4535) as early in the semester as possible. All discussions will remain confidential. Please visit <http://www.lmu.edu/dss> for additional information.

## **Course Policies**

### ***Communication***

Course materials will be posted on MyLMU Connect. It is the responsibility of the student to ensure that he/she has access. I plan to post notes, readings, and other necessary materials no later than the Friday night before the next class meeting. Occasionally, things may be posted later than this, especially if it has to do with current events. I will send out announcements when new posts are made. At times I will communicate with the entire class using campus email systems, so it is essential that you regularly check your lion.lmu.edu email address or forward your lion account email to your preferred email address.

### ***LinkedIn***

Students are required to Connect with the professor on LinkedIn.com.

### ***Electronics***

Please silence all phones before class begins. There is no reason for cell phones to be out during class time. Texting, playing games, surfing the web, etc. is distracting to you and may be distracting to others around you. Please be respectful.

### ***E-mails***

All e-mails to the professor must be written in a proper, professional manner. If your e-mail message is unprofessional or contains grammatical or spelling mistakes, it will be returned to you with a request that you correct the message and resend it. ***Before sending an e-mail, you should read it over one time.***

### ***Classroom Observation***

It is a practice in the College for faculty members to observe classes taught by other faculty. From time to time, therefore, faculty from our College or even from other colleges may attend.

### ***Classroom Seating Arrangements and Name Cards***

Beginning the week of September 14<sup>th</sup>, I expect you to have a name card in front of you for each class (see: <https://www.youtube.com/watch?v=95eJBoNX84A>). This will be useful for when we have in-class discussions and other in-class exercises. **Failure to bring your name card will affect your overall grade.**

## TENTATIVE Course Outline

*I reserve the right to change the schedule as the semester goes on.*

<i>Week</i>	<i>Topic</i>	<i>Notes</i>
Week 1 (8/31)	Module 1: Introduction and Overview of the Financial System	
Week 2 (9/7)	02/03: Module 2: Structure of interest rates	No class on Mon
Week 3 (9/14)	Module 2: Structure of interest rates	
Week 4 (9/21)	01: Module 2: Structure of interest rates 02/03: Module 3: The Federal Reserve System, monetary policy, and interest rates	
Week 5 (9/28)	Module 3: The Federal Reserve System, monetary policy, and interest rates	
Week 6 (10/5)	01: Module 3: The Federal Reserve System, monetary policy, and interest rates 02/03: Module 4: Securities Markets Overview and Efficient Markets Hypothesis	
Week 7 (10/12)	Module 4: Securities Markets Overview and Efficient Markets Hypothesis	
Week 8 (10/19)	Module 4: Securities Markets Overview and Efficient Markets Hypothesis	
Week 9 (10/26)	<b>Exam #1</b>	
Week 10 (11/2)	Module 5: Money markets and bond markets	
Week 11 (11/9)	Module 5: Money markets and bond markets	
Week 12 (11/16)	Module 6: Mortgage markets and securitization	
Week 13 (11/23)	Module 6: Mortgage markets and securitization	No class on Wed
Week 14 (11/30)	Module 7: Equity markets	
Week 15 (12/7)	Module 7: Equity markets	
Dec 14 (Mon)	<b>Section 01: Exam #2: 4:20pm – 6:20pm</b>	
Dec 16 (Wed)	<b>Section 02: Exam #2: 4:20pm – 6:20pm</b>	
Dec 16 (Wed)	<b>Section 03: Exam #2: 11:00am – 1:00pm</b>	

Notes: Last day to add or drop a class without a grade of W is September 4.

Last day to withdraw from classes or apply for Credit/No Credit grading is November 6.