

**MBAF 611: Financial Markets**  
**Loyola Marymount University**  
**Fall 2014**  
**Section 01: Wednesday, 7:15pm-10:00pm**  
**Room: Hilton Building 063**

**Instructor Name: Joshua D Spizman**

**My Office:** Hilton 254

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**My Office Hours:** Tuesday and Thursday: 10:00am – 11:30am;

Tuesday and Thursday: 4:30pm – 6:00pm;

Wednesday: 2:00pm – 4:00pm;

or by appointment

**Required Text(s):**

Fabozzi, Modigliani, and Jones, Foundations of Financial Markets and Institutions, Pearson (Prentice Hall), 4<sup>th</sup> ed., 2010.

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

**Course Prerequisites**

MBAA 608 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 and need of different financial markets and institutions. The course introduces students to the basics of financial markets and institutions going beyond the stock and bond markets covered in Financial Management.

The key topics include the role and history of financial markets and the Federal Reserve, the structure of various financial markets (equity, money, bond, mortgage), and the users of financial markets. The financial institutions component of the course focuses on investment banks, hedge funds, and mutual funds. A recurring theme throughout the course is the concept of information asymmetry, which we will apply to understand salient features of the financial landscape. Lecture slides and assigned readings in the required text will be supplemented with outside sources to reinforce concepts taught in the classroom, keep current with rules, regulations, and the role markets and institutions play, and to demonstrate the real-life relevance of the course.

**Learning Outcomes:**

After completing the course, the student should:

- 1) Understand the role of government and need for government regulation in the financial system
- 2) Understand the role of Federal Reserve and its history
- 3) Understand why different financial markets exist and key benefits they provide
- 4) Understand the concept of information asymmetry
- 5) Understand the concepts of moral hazard and adverse selection and know their similarities and differences
- 6) Do basic computational problems relating to moral hazard/adverse selection
- 7) Know the different types of key financial intermediaries
- 8) Understand the role financial intermediaries' play in the general financial system
- 9) Understand the history of financial markets and institutions in order to think critically about current events

**Assignments, including Readings:**

**Group Project:** There will be a group project that goes throughout the course. At the end of the semester, each group will be required to make a class presentation. We will thoroughly discuss the group project in class throughout the semester.

**Homework:** There will be homework assignments throughout the semester. However, homework will not be collected nor graded. Homework will be in the form of problem sets.

**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. There will be *at least* four blog assignments throughout the semester. Please see separate handout for more on the blogging exercise.

**Case Study:** There will be *at least* one case study assigned during the semester. You will be allowed to work with one other person, if you choose.

**Exams:** There will be two exams during the semester. The second exam will be given during final exam week. All exams are closed book and closed notes; however, I will provide you with a formula sheet from each chapter. Since exam dates are set in advance, if you anticipate a conflict with a religious holiday or a university officially-sanctioned activity, you should notify me at least one week in advance for a rescheduling. No other make up exams will be given. If you miss a midterm exam for other Loyola Marymount University (LMU) approved reasons, you will have to take a comprehensive final exam, and replace your missed mid-term exam grade with your final exam grade. Missing an exam for non-LMU approved reasons will result in a grade of zero for that exam.

**Use of Technology:**

*Financial Calculator*

I recommend the Hewlett Packard hp 10B II. No graphing calculators will be allowed.

**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	20%
Exam 2 Score	20%
Participation/Attendance	10%
Blogs	20%
Group Project	15%
Case Study	<u>15%</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.

**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 2012-2013* (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.

**Email Communication:** 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.

### **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 on the Friday night before the next class meeting.

#### ***LinkedIn***

Students are also required to Connect with the professor on LinkedIn.com by 3pm on Friday, September 12, 2014. **Failure to do so will affect your class participation grade.**

#### ***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 Wednesday, September 3<sup>rd</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 class participation grade.**

### TENTATIVE Course Outline

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

<b>Date</b>	<b>Topic</b>
Aug 27 (W)	Course Introduction
	Overview of the Financial System
Sept 3 (W)	Risk/Return and Efficient Market Hypothesis
Sept 10 (W)	Structure of Interest Rates
Sept 17 (W)	Structure of Interest Rates/Federal Reserve
Sept 24 (W)	Federal Reserve
Oct 1 (W)	Money Markets
Oct 8 (W)	<b>Exam #1</b>
Oct 15 (W)	Bond Markets
Oct 22 (W)	Bond Markets
Oct 29 (W)	Mortgage Markets
Nov 5 (W)	Equity Markets
Nov 12 (W)	Securities Firms and Investment Banks
Nov 19 (W)	Mutual Funds and Hedge Funds
Nov 26 (W)	<i>No Class - Thanksgiving</i>
Dec 3 (W)	Group Presentations
Dec 10 (W)	<b>Exam #2: 7:15pm</b>

Notes: Last day to add or drop a class without a grade of W is August 29.

Last day to withdraw from classes or apply for Credit/No Credit grading is October 31.