



Financial Markets

Introduction

This course offers a full introduction to the operation of the financial markets in a global setting. It is concerned with the nature of the products which are traded in the international banking, money and capital markets and with the operation and regulation of those markets themselves. This course will require you to understand some fairly sophisticated mathematical and technical concepts.

Learning Outcomes

- A comprehensive overview of the organisation, operation and regulation of the international financial markets.
- A good technical understanding of the banking, money, foreign exchange, fixed interest, equity and derivative markets.
- An insight into how securities are priced in efficient markets, and how the study of behavioural finance has contributed new insights into how market participants actually interact with each other.

Assessment

By the end of the programme students will be given an exam to be completed and handed back in two weeks.

Course Contents

- **Introduction- Chapters 1, 2**
 - Theory, history and development of markets - types of market - time value of money ("TVM") - risk and return
- **Money & Foreign Exchange- Chapter 11**
 - Money markets products and practices - exchange rate theory – foreign exchange market products and practices
- **Debt Markets- Chapters 3, 4**
 - Product description - types of debt instrument different measures of return - how the debt markets operate - government bonds
 - Advanced analysis of debt products - duration - convexity - spot rates and the yield curve – investment, trading and issuance strategies
- **Equities Markets- Chapters 5, 10, 12**
 - Product description - valuation of equities - valuation of companies - market mechanisms
 - Equities analysis – investment, trading and issuance strategies: active vs passive
- **Derivatives- Chapters 8, 9**
 - Futures, forwards and swaps - product descriptions - pricing principles - market mechanisms - applications and strategies
 - Options - product descriptions - pricing principles: 1 - Binomial; 2 - Black-Scholes - market mechanisms - applications and strategies
- **Revision & Examination**
 - Revision, Q&A and practice exercises
 - Final Examination

Lecturer: Marcus Davidson

Marcus gained his **MA from Oxford University**, and has vast work and teaching experience. He has been a Finance Director of Philadelphia National Ltd, Finance Director of Deutsche Genöesschaftsbank Investment Bank, Treasurer of European Asian Bank AG and Practice Manager of Rosenblatt. Marcus has been a senior lecturer at various top business schools and universities for a number of years. He has been a course tutor and examiner on the **MSc in Financial Management course** at the University of London. Marcus is the author of distance-learning materials for various disciplines in finance at a number of UK universities and business schools.

Reading List

- Rutterford, J. and Davison, M. (2007) **Introduction to Stock Exchange Investment**, 3rd edition, Palgrave. ISBN 0-333-77802-2. Brealey, R., Myers, S. (2005) *Corporate Finance*, 8th international edition, McGraw-Hill
- Choudry M, **The Bond and Money Markets: Strategy, Trading, Analysis**, 2000, Butterworth-Heinemann, ISBN 0-750-64677-2
- Day, A. (2005) **Mastering Financial Mathematics in Microsoft Excel**, FT Prentice Hall
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- Golding, T., (2003) **The City: inside the great expectation machine**, 2nd edition, FT Prentice Hall
- Hull, J. (2003) **Options, Futures, & Other Derivatives**, 5th edition, Prentice Hall
- La Porta R, Lopez-de-Silanes F, Shleifer A, and Vishny R, **Law and Finance**, Journal of Political Economy, 1998, vol. 106, no. 6, pp 1113-1155
- Lowenstein, R. (2002) **When Genius Failed: The Rise and Fall of Long-Term Capital Management**, Fourth Estate
- Mandelbrot, B., Taleb, N. (2006) **Mastering Uncertainty - Part 2**, Financial Times, 24 March, p 2
- Partnoy, F., (2003) **Infectious Greed: How Deceit and Risk Corrupted the Financial Markets**, Profile Books
- Roberts, R. (2004) **The City: A Guide to London's Global Financial Centre**, Profile Books (in association with *The Economist*)
- Roberts, R., (2003) **Wall Street: The Markets, Mechanisms and Players**, Profile Books (in association with *The Economist*)
- Shiller, R. (2005) **Irrational Exuberance**, 2nd edition, Princeton University Press
- Shleifer, A. (2000) **Inefficient Markets: An Introduction to Behavioral Finance**, Oxford University Press
- Vaitilingam, R. (2005) **The Financial Times Guide to Using the Financial Pages**, 5th edition, FT Prentice Hall