

Financial Markets and Institutions Syllabus
Fin-3500 Syllabus
Online Course
Winter 2022
Dr. Snyder

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Website Location: Blackboard Fin. Markets
Office Hours: By appointment and online.

Required Text: Financial Markets and Institutions, Anthony Saunders and Marcia Millon Cornett, (Any Edition), McGraw Hill Education.

Course Description: This course is an introduction to the dynamic structure of the financial markets' environment in which financial institutions as well as other participants operate. The course explores the concepts and measurement of risk and return, explains how market interest rates are determined, analyzes the spread between various rates across major capital markets' participants, and analyzes strategies to manage and modify return and risk in an uncertain environment. The emphasis is on identifying the characteristics of participants that give rise to basic similarities and/or differences in their behavior, rather than on their detailed operating business activities.

Course Objectives for Financial Markets and Institutions:

1. Students will become familiar with the structure of financial markets, learn how to use these indicators to evaluate the risk and return of alternative financial assets and understand how financial markets function in a capitalistic society.
2. Students will learn what determines the value of interest rates, stocks, and bonds and how they impact the economy.
3. Students will learn the key approaches to monetary policy and how it impacts financial markets. They will develop skills to analyze impacts of policy actions and to evaluate the advantages and disadvantages of different policies.

Student Learning Outcomes:

Students will be able to:

1. Effectively express general financial concepts and the ability to think critically in written/oral form.
2. Locate and use information related to financial markets.
3. Demonstrate ability to integrate knowledge and ideas in a coherent and meaningful manner.

Topical Outline of the Course Content:

SUBJECT

Introduction

- Ch. 1: Introduction. Why Study Financial Markets and Institutions? Overview
- Ch. 2: Determinants of Interest Rates
- Ch. 3: Interest Rates and Security Valuations.
- Ch. 4: The Federal Reserve System, Monetary Policy and Interest Rates

Financial Markets

- Ch. 5: Money Markets
- Ch. 6: Bond Markets
- Ch. 7: Mortgage Markets
- Ch. 8: Stock Markets
- Ch. 9: Foreign Exchange Markets
- Ch. 10: Derivative Securities

Midterm Exam (30%)

Commercial Banks and Other Financial Institutions

- Ch. 11: Commercial Banks: Industry Overview
- Ch. 12: Commercial Banks' Financial Statements and Analysis
- Ch. 13: Regulation of Commercial Banks
- Ch. 14: Other Lending Institutions
- Ch. 15: Insurance Companies
- Ch. 16: Securities Firms
- Ch. 17: Investment Companies
- Ch. 18: Pension Funds

Risk Management in Financial Institutions

- Ch. 19: Types of Risk
- Ch. 20: Managing Credit Risk
- Ch. 21: Managing Liquidity Risk
- Ch. 22: Managing Interest Rate Risk
- Ch. 23 and 24: Managing Risk Off of the Balance Sheet

Final Exam (30%)

Grading Policy

Homework Assignments: General Homework Assignments will count for 10% of your final grade.

“Too Big To Fail” and “The Big Short” assignment will each count for 10% of your final grade. In this assignment, you need to either watch the movies or read the books and then summarize the main events (at least 5) that lead up to the financial crises and policy responses (at least 5) in reaction to the crises. You may also use some of the Regulation notes that are on blackboard for this assignment as well.

Financial Data Project will count for 10% of your final grade.

Exams: 2 Exams will be given. Each exam is equally weighted and is worth 30% of your final grade.

Financial Data Project:

Purpose: The purpose of the Financial Data project is to help students better connect theory to real life examples. After evaluating the data, students should develop a better understanding of financial markets and assets.

Financial Data

Financial data should be tracked starting January 2018-July 2021.

- A) Each series below should be tracked and presented in numerical form in an excel spreadsheet. (Place the date in the left hand column and each series in the row.)
- B) Each series should be presented graphically overtime and analyzed for its direction and strength. (Once your data is in excel, highlight the series, then at the top hit the insert button, then hit the line graph button and excel will automatically create a graph for you.)

Financial data to track in the project include:

- 1) Money: Measured as M1 and M2 seasonally adjusted.
- 2) Short-Term Interest Rates: Measured as Federal Funds interest rate and 3 month T-Bill interest rates.
- 3) Long-term Interest Rates: Measured as the 30 year AAA corporate Bond Rate, the Baa Corporate bond rate, and a 30 year fixed mortgage rate.

- 4) Yield Curve: Measured as the difference between the short term 3 month T-Bill rate and the long term 30 year Treasury Bond rate.
- 5) Stock Market Measured as Dow Jones Industrial Average (DJIA), NASDAQ, and the S&P 500. Price, yield, and P/E Ratio of any stock of your choice (found in the Wall Street Journal).
- 6) Derivative/Commodity: Price of Gold and Oil.
- 7) Prices (P) and Inflation: Prices measured CPI – consumer price index (CPI for all items), and Inflation measured as the change in CPI
- 8) Output and its Components: Real GDP (output) and its components (real Consumption (C), real Investment (I), Government Spending (G), and real Net Exports (NX)).
- 9) Unemployment Civilian Unemployment rate.

This information can be found at <http://research.stlouisfed.org/fred2/>. It may also be obtained.

Once you have collected all the data, summarize the current state of our financial markets and make any policy or regulation suggestions.