Financial markets

Course Syllabus

Lecturer: Magomet Yandiev

Class Teacher: Magomet Yandiev

Contact Information

Office hour: Monday 14:00 – 15:00

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Course Description

Financial Markets is a one semester long course for final year students at the Faculty of Economics with specialization in Bachelor of Economics. The course is taught in English.

Course Objectives

Learn about Financial Assets and its pricing, Structure and Infrastructure of Financial Markets, Financial Strategies.

Methods

The following methods and forms of study are used in the course: lectures, written homework assignments, practice sessions covering homework exercises and additional exercises, self-study.

Literature

Obligatory:

- Frank J. Fabozzi, Franco G. Modigliani, Frank J. Jones, Michael G. Ferri. Foundations of Financial Markets and Institutions (3rd Edition). 2001
- Frederic S. Mishkin, Stanley Eakins. Financial Markets and Institutions (7th Edition). 2011

Recommended:

- John C. Hull. Options, Futures, and Other Derivatives (International Edition). Pearson; 5 edition (1 Jun 2002).
- Tomas Björk. Arbitrage Theory in Continuous Time (Oxford Finance Series). OUP Oxford; 2 edition (4 Mar 2004).

- [David S. Kidwell](#), [David W. Blackwell](#), [David A. Whidbee](#), [Richard W. Sias](#). Financial Institutions, Markets, and Money, 11th Edition. Wiley.

Additional literature may be distributed during the course.

Evaluation

A central part of the course is homework assignments. Each of them contains a date by which you need to hand it in to the teacher of the practice sessions. Homework assignments will be graded. The teacher of the practice sessions will frequently ask you to present a homework exercise in class. You are allowed to work in groups.

Your performance in this course will be evaluated on the basis of the following:

- Written homework;
- Participation in lectures and practice sessions. This includes, your presence, plus, your presence should be active;
- First term exam;
- Tests;
- Final exam.

Grade Determination

First term exam grade: 30%;

Tests grade: 20%;

Final exam grade: 50%.

Course outline

Introduction to Financial Markets and Course Overview

Structure and Infrastructure of Financial Markets.

Chapter 1. Financial Mathematics

Time value of money. Discount rates. Compound interest. DCF: Present Value (PV), Future Value (FV). Annuity and perpetuity formulas.

Chapter 2. Value of Financial Assets

Present Value of Loans, Bonds and Stocks. Term structure of interest rates. Yield to Maturity. Duration. Immunization of bond portfolios.

Chapter 3. Risk and Return

Efficient Market Hypothesis (EMH). Risk Free Return. Standard Deviation of Return. CAPM and Beta, VaR. Binomial option pricing model. Black-Scholes model. Real option.

Chapter 4. Modern portfolio theory

Portfolio diversification. Negative correlation between assets. Effective set of portfolios. Markowitz's model. Tobin's model.

Chapter 5. Alternative Investments

Basic requirements and restrictions. Financial instruments. Pricing of financial assets. Stock Exchange Infrastructure.

Chapter 5. Investment Strategies

Investment, Speculation, Hedging, Arbitrage, Short Selling.