

ECON 367-01
Financial Markets and Institutions
Dominican University Spring 2016-2017
Lawrence Morgan

Instructor: Lawrence Morgan
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Office hours: By appointment. Also, I will usually be available in the library after class for 1 hour.
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Meeting times: Monday-Wednesday-Friday 09:30-10:20
Classroom: Lewis 334

Prerequisites: ECON 191 (Macroeconomics)
Recommended: ECON 190 (Microeconomics)

Text: *Financial Markets and Institutions*, Frederic Mishkin and Stanley Eakins, ISBN 9780133423624 and 013342362X

Other materials: Financial calculator. Colored pens, pencils, etc. for graphing. Supplementary readings, PowerPoint slides, and screen casts provided by instructor.

Course description:

Financial markets and financial institutions are intermediaries between savers and investors in the national and global economies. This course will explicate the functions and practices of markets and institutions, but also illuminate how they arrived at those practices through historical development.

This will include how markets operate – stock, fixed-income, foreign exchange, commodities, derivatives – as well as their historical development. Each of these markets is associated with one or more institutions: commercial banks, investment banks, mortgage firms, broker/dealers, pension funds, investment funds, insurance companies, exchanges, and more. What these institutions do, how they do it, and how the institutions and the markets are related will be the bulk of the reading and the work.

Activities in the financial markets have a direct impact on individuals' wealth, the behavior of businesses and the efficiency of the U.S. economy. Understanding how financial institutions are managed is important regardless of your career.

The general objectives of the course – and the entire business curriculum – include:

- Appreciate the ethical foundations of business decisions the social responsibility of participants in the financial and business worlds.
- Communicate effectively in written and verbal formats.
- Use quantitative and analytical methods and critical thinking skills.
- Take a global perspective on business issues.

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Course objectives/Expected learning outcomes:

Upon successful completion of this course, a student will . . .

1. Demonstrate an understanding of the characteristics of various financial instruments in domestic and international financial markets.
2. Demonstrate an understanding of the characteristics and functions of various financial institutions.
3. Understand the history, foundations, and economic consequences of financial regulation.
4. Identify the market forces which determine the level and structure of interest rates.
5. Examine and interpret the actions of central banks, especially the Federal Reserve.

Assessment of student learning:

- There will be two tests: a midterm at about 1/2 of the way through the term and the final examination. All tests and exams will cover all material covered to date.
Tests missed for a satisfactory reason may be made up quickly at my convenience.
- There will be one term paper on an approved topic (I will provide a list of suggested topics, but students can use another topic with my approval). Students will be required to submit the topic, an outline, a rough draft, and a final draft. The final draft will be graded both in regard to content and in regard to form (organization, grammar, list of references, citations/footnotes in proper format).
- Occasional short graded quizzes.
- Graded homework assignments approximately once per week; others as practice exercises, not for grading. Homework is expected to be turned in on time; late graded homework without a satisfactory explanation will suffer a grading penalty.
- Tests, examinations, and quizzes will use the same type of problems and deal with the same skills and concepts as homework assignments. If students do the homework correctly they will have no difficulty with tests and examinations.
- Weighting in final grade:

Final examination	25%
Midterm examination	20%
Term paper	20%
Assignments and quizzes	25%
Participation and attendance	10%
- Grading policy:

A	≥ 93.0	C	73.0 – 76.9999999
A-	90.0 – 92.9999999	C-	70.0 – 72.9999999
B+	87.0 – 89.9999999	D+	67.0 – 69.9999999
B	83.0 – 86.9999999	D	63.0 – 66.9999999
B-	80.0 – 82.9999999	D-	60.0 – 62.9999999
C+	77.0 – 79.9999999	F	< 60.0

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[Note on final grades: Occasionally a student will ask that a final grade be improved "because I really need an A in this course". I will refuse all these requests, and I ought to explain why.

I identify skills and objectives that students ought to acquire in the course. The course's presentations, practice exercises, and graded assignments reflect those skills in a consistent form to prepare students to exhibit the same skills in examinations or projects which again were consistent with the preparatory material. Throughout the semester I grade examinations and graded assignments pretty liberally -- partial credit for answers that are not completely correct, account taken of the effort that students put into understanding concepts or calculations that cause them difficulty; also examinations contain questions and problems that are very similar, sometimes identical, to questions and problems in practice exercises and graded assignments. Consequently the grades the students achieve are the best measure I can devise to reflect how well each student achieves the objectives of the course. I take those grades seriously -- seriously for the students to give them the best grade I can justify, seriously in regard to what the grades mean, and seriously in regard to fair treatment among all the students in the class.]

Instructional methods

1. Lectures using diagrams and mathematics (primarily algebra) and exercises to familiarize students with analytical tools. As much as is feasible, classroom time will be spent practicing skills – students are expected to acquire the requisite information through reading, videos, etc.
2. Homework assignments to practice analytical tools and recapitulate information. Some of these may involve spreadsheet analysis of markets or institutions.

Planned Schedule (next page)

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Planned Schedule

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42 class meetings

Week	Days	Topics	Text Readings
1	WF 1/11 - 1/13	Unit I: Introduction: role of finance in the economy; markets; financial institutions. Interest rates.	Ch. 1: pp 1-8; Ch 2. pp 15-20 Ch 3: pp. 36-28; Ch. 4: pp 64-83; Ch. 5: pp. 87-111
2	WF 1/18 - 1/20 (MLK Day Mon)	Unit II: Markets. Interest rates. Securities. Unit III, and Unit IV: Fixed income markets	Ch 3: pp. 36-28; Ch. 4: pp 64-83; Ch. 5: pp. 87-111 Ch. 11: pp 250-270; Ch. 14: pp 318-334
3	MWF 1/23 - 1/27	Unit V: Equities	Ch. 13: pp. 297-302; pp. 311-315
4	MWF 1/30 - 2/3	Unit VI: Foreign Exchange and Commodities	Ch. 15: pp. 339-359
5	MWF 2/6 - 2/10	Unit VII: Financial Institutions (Banks)	Ch. 17: pp 391-415, Ch. 19: pp 448-455
6	MWF 2/13 - 2/17	Unit VIII (cont): Financial Institutions (Financial Regulations) Term Paper Outline Due	Ch. 18: pp 418-445
7	MWF 2/20 - 2/24	Unit IX: Financial Institutions (Central Banking) Unit X: Financial Institutions (Investment Banking)	Ch. 9: pp 183-193, pp. 200-203 Ch. 22: pp. 538-552
8	MWF 2/27 - 3/3	Mid-Term Review Mid-Term Examination	
9	Mid-Semester Vacation 3/6 - 3/10	Mid-Term Vacation	
10	MWF 3/13 - 3/17	Unit XI: Financial Institutions (Insurance. Pension Funds) Term Paper First Version Due	Ch. 21: pp. 508-521; pp. 526-535
11	MWF 3/20 - 3/24	Unit XII: Financial Institutions (Exchanges) Unit XIII: Market Valuation: Money Markets	Ch. 13: pp 299-302 Ch. 3: pp. 36-54; Ch. 11: pp. 257-258
12	MWF 3/27 - 3/31	Unit XIV: Market Valuation: Bonds, Mortgages	Ch. 12: pp 281, pp. 288-292
13	MWF 4/3 - 4/7	Unit XIV: Market Valuation: Bonds, Mortgages Unit XV: Market Valuation: Stocks	Ch. 12: pp 281, pp. 288-292 Ch. 13: pp 302-30t, pp 307-310
14	MWF 4/10 - 4/12 (No Friday)	Unit XV: Market Valuation: Stocks Unit XVI: Market Valuation: Foreign Exchange	Ch. 13: pp 302-30t, pp 307-310 Ch. 15: pp. 345-355
15	MWF 4/17 - 4/21	Unit XVII: Derivatives Term Paper Final Version Due	Ch. 24: 583-610
16	MWF 4/24 - 4/28	Unit XVII: Derivatives Review	Ch. 24: 583-610
17	MWF 5/1 - 5/5 Finals Week	Final Examination Wed. 7 May 08:00 - 10:00	