



FINANCE 421
Money and Capital Markets
Fall 2016

Instructor: Dr. Derek Horstmeyer

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Course Website: Blackboard

Office Hours: MW 11:00 – 12:00 and by appointment

Class Meeting

Section 001: Friday 10:30 – 1:10, Mason Hall D001

Course Objectives

This course is both a practical and a concept-oriented treatment of the workings of today's financial markets and institutions. It starts with an introduction of the fundamentals of financial markets and proceeds with a detailed review of the central banking system, the different financial markets, financial institutions, and the management of the different types of risks that these institutions face. These issues are presented within a unified framework intended to encourage critical thinking and problem-solving skills in students.

Prerequisites

Degree status and a grade of C or higher in FNAN 321 is necessary to take the class. The course will also require proficiency in Microsoft Excel and use of a financial calculator. No exceptions to the SOM rules of admittance. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

Course Textbook and Resources

Required Textbook: Anthony Saunders and Marcia Cornett, 2012, *Financial Markets and Institutions*, 5th ed., (McGraw-Hill/Irwin). In addition, articles posted by the Fed and other institutions will be available through Blackboard, so check regularly.

An electronic version of the text is available at the following websites:

<https://connect.mheducation.com/class/d-horstmeyer-fall-2016>

Other Resources: A calculator is required (non-programmable preferably – e.g. HP 10b11+) and should be brought to class on a daily basis. A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).

Grades

Since this is an advanced course, it inevitably covers more difficult topics than those in FNAN 321. I expect this course to be intellectually challenging. My intention is to grade generously, but fair. I will, however, not hesitate to give low grades to those who clearly did not put in a sufficient amount of effort.

Your final grade will be based on:

Class Participation/Attendance	10%
Homework/Problem Sets	10%
Financial Markets Essay (December 11 th)	10%
Quizzes (4 total)	20%
Midterm Exam: (October 14th)	20%
Final Exam (See GMU's Schedule)	30%

Grade distribution is based on a standard 10-point scale: 92-100 = A; 90-92 = A-; 88-90 = B+; 82-88 = B; 80-82 = B-, etc. All grades are calculated straight from the raw points allotted from each assignment.

Note: The final exam is a comprehensive final and will cover issues from the first midterm exam. Students are not allowed to skip any exams and must take the exam at the scheduled time. Any student missing an exam will receive a grade of zero. One exception is that you present a physician's statement attesting to illness on the day of the exam or for an extraordinary reason.

Problem Sets/Quizzes

I will assign problems for homework. The assignments will be collected and checked for effort. Part of the each exam will be taken either directly or slightly modified from the homework, thus it is your responsibility to do each assigned question.

There will be 5 quizzes total. The quiz with the lowest score will be dropped – leading to 4 quizzes total showing up on your final grade, each worth 5% of your final grade.

In addition, there will be one 3-5 page essay which will be distributed and due at the end of the semester.

Important Rules

The test and the final exam must be taken without notes or sheets of formulas. You will be required to bring your own financial calculator to the exams. Sharing calculators and the use of graphing calculators (and other calculators that allow for the storage of information) are not allowed.

Appeal of Grading

If you wish your answer to a question to be regarded, first submit a copy of your answer to the question and a written explanation of why you believe that the grading is incorrect. You must turn in this material within one week after the graded work is returned. In general, the entire exam will be checked for grading errors, and correcting these could either raise or lower the overall score.

University Office of Disability Services

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center at (703) 993-2474. All academic accommodations must be arranged through the DRC.

Academic Misconduct

Academic misconduct causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Faculty Rule 2.11.5 (Faculty Responsibility under the Honor Code) requires alleged misconduct to be reported to the department and the Honor Committee. So follow the GMU honor code at all times and don't even think about cheating!

Tentative Course Outline

Each class period includes required readings from the textbook Saunders and Cornett, 2012, *Financial Markets and Institutions* (SC). Except for the dates of the exams, the dates in the course schedule are approximate and could be subject to change.

Weeks 1 (Sept. 2): Course Introduction and Background
Course Syllabus and SC 2

Week 2 (Sept. 9): Interest Rates and Security Valuation
SC 3

Week 3 (Sept. 16): The Federal Reserve System
SC 4

Week 4 (Sept. 23): The Federal Reserve System (continued)
[Quiz 1: Chapters 2 and 3](#)

Week 5 (Sept. 30): The Federal Reserve System (continued)

Week 6 (Oct. 7): Overflow and Review
[Quiz 2: Chapters 4 and the Fed](#)

Week 7 (Oct. 14): [Midterm Exam](#)

Week 8 (Oct. 21): Money Markets
SC 5

Week 9 (Oct. 28): Bond Markets
SC 6

Week 10 (Nov. 4): Equity Markets
[Quiz 3: Chapters 5 and 6](#)
SC 8

Week 11 (Nov. 11): Derivatives, Crisis
SC 10, Video series on crisis

Week 12 (Nov. 18): 2008 and Forward
[Quiz 4: Chapters 8 and 10](#)

Week 13 (Nov. 25): [No Class \(Thanksgiving\)](#)

Week 14 (Dec. 2): 2008 and Forward, Dodd-Frank, HFT
[Quiz 5: Regulation/2008 and Forward](#)

Week 15 (Dec. 9): Overflow and Review
[Financial Markets Essay Due on the 11th](#)

School of Business Recommendations for Honor Code Violations
Approved May 2016

UG-Non Freshman Students (including transfer students)

Type of Violation	First Offense	Second Offense
Plagiarism 1. Failure to cite/attribute sources 2. Representing someone else's work as the student's own (e.g., copying and pasting)	An F in the class; referral to Writing Center; and Academic Integrity Seminar completion	An F in the class; referral to the Writing Center; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion
Cheating 1. On a minor assignment (e.g., homework, quizzes) 2. Cheating on a major assignment or exam, submitting course work from another course as original work	An F in the class; and Academic Integrity Seminar completion An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension	An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion
Lying (e.g., providing fraudulent excuse documents, falsifying data)	An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension	An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion
Egregious Violation (e.g., stealing an exam; submitting coursework from another class as original work across multiple courses; lying to an employer about academic performance, false identification or posing as another, in person or online)	An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one year suspension	An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and expulsion