

# Syllabus: Survey of the Financial System

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<b>Institution:</b>	Business School
<b>Term Dates:</b>	September 30–December 7
<b>Lecture Times:</b>	Fridays, 09:00–11:00, Lecture Hall 1
<b>Instructors:</b>	Rory Mullen, Assistant Professor of Finance Grad Student, Graduate Teaching Assistant
<b>Website:</b>	<a href="http://rorymullen.net/teaching">rorymullen.net/teaching</a>
<b>Textbooks:</b>	Mishkin and Eakins (2018), Saunders and Cornett (2015), Madura (2014)
<b>Assessment:</b>	Participation (10% weight), Final Exam (90% weight)
<b>Final Exam:</b>	Term 3
<b>Prerequisites:</b>	Undergraduate finance degree or similar
<b>Credits:</b>	15 Credits

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## Introduction

Welcome to Survey of the Financial System. Thank you for your interest in this exciting module, I look forward to working with you. This syllabus outlines the topics we'll cover this term and the policies that will keep the module running smoothly.

We survey a wide range of topics over the ten weeks of this module. In the first part of the module, we begin with an introduction to financial systems. We then discuss interest rates, risk structure, and term structure, before turning to central banks, short-term interest rates, and inter-bank lending markets. In the second part of the module, we turn to bond markets, stock markets, mortgage markets, and foreign exchange markets. In the third part of the module, we discuss derivatives and their use in risk management, and then financial intermediation and market micro-structure.

In most weeks, you will have a few textbook chapters as primary reading, and an academic paper. You can find each week's readings in the term schedule and reference list at the end of this syllabus. In addition to our main textbook (Mishkin & Eakins, 2018), we occasionally refer to textbooks by Madura (2014) and Saunders and Cornett (2015). The relevant chapters in each textbook are listed in the term schedule. We complement the academic reading with five problem sets and four case studies.

## Policies and Procedures

Here you'll find information on the policies and procedures that help this module run smoothly. We hope that you find the information useful and clear, and we welcome you to reach out with questions.

**Attendance.** We recommend that you attend lectures and seminars to get the best learning experience. Missing lectures or seminars is sometimes unavoidable, so if you do miss a lecture or seminar, you may wish to obtain notes from a classmate. Please email the Postgraduate Office for issues related to absences; there is no need to email the teaching staff directly.

**Participation.** You will be able to participate in lectures interactively using the Vevox platform ([www.vevox.com](http://www.vevox.com)). In weeks three through seven, you will earn one point for each Vevox poll or question to which you respond. Any response earns one point, and many polls and questions are opinion-based. You can respond to polls and questions as they appear in live lectures, or anytime during the week following the live lecture in which they appear. Your participation mark will equal the point total that you earn divided by the number of polls and questions that appear in lectures during weeks three through seven. A Vevox session will be running during each lecture. This instructional video shows how to join and participate in Vevox sessions.

**Reading.** Textbook chapters and other assigned reading are a great way for you to reinforce and deepen your understanding of the material that we cover in lectures. You'll find the relevant readings listed in the term schedule in this syllabus. I encourage you to make reading an important part of your study.

**Office Hours.** You are welcome to attend any of the weekly office hours that we offer for this module. An office hour schedule will be announced near the start of term. The forum on our course website serves as an asynchronous office hour, where you can also ask questions and receive answers from teaching staff and from fellow students.

**Email.** We use the forum on our course website as our primary mode of communication outside of lectures and seminars. Forums help us publicly collect and answer the useful questions that you ask during the module. The questions and answers that we accumulate in the forum over the term are often helpful later as you prepare for the final exam. We ask that you post all of your questions to the forum, rather than emailing teaching staff directly. We aim to answer forum questions within two business days.

**Work Load.** This module carries 15 academic credits. One credit equates to 10 hours of learning effort, spent as a combination of contact time (lectures, seminars, office hours) and self-directed learning time (reading, problem sets, exam preparation). For example, a module allocated 15 credits will require you to commit approximately 150 hours of work to achieve the learning goals. For more information, please refer to the Graduate Student Handbook.

**Revision.** We aim to provide excellent support as you revise for the final exam. We provide detailed step-by-step solutions to over seventy problems from the seminar problem sets. In addition, we provide a past exam along with detailed solutions. In the weeks before the final exam, we provide a review session in which we answer student questions about the exam, and

we will announce a revision office hour schedule and forum support. We also provide detailed references to textbooks where you can find additional practice material. We hope that you find these resources helpful!

**Marking.** Your final mark for the module is a weighted average of your marks in the following areas: Participation (10% weight), Final Exam (90% weight). You will be working hard this term, and your mark should reflect your hard work. For this reason, the teaching staff assign marks thoughtfully and generously, while upholding the high academic standards for which the University is known. You will find a detailed set of marking criteria at the end of this syllabus. After your work is carefully first-marked, second markers and external examiners then check for fairness and consistency. You can find more information on the examination process in the Graduate Student Handbook.

## References

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- Mayer, C., Pence, K., & Sherlund, S. M. (2009). The rise in mortgage defaults. *Journal of Economic Perspectives*, 23(1), 27–50.
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- Nagel, S. (2015, August). Hedging at porsche.
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## Weekly Timetable

Type	Day	Time	Room	Instructor in Week									
				1	2	3	4	5	6	7	8	9	10
Sem	Mo	09:00–10:00	2.007	–	RM	RM	RM	RM	RM	RM	RM	RM	RM
Sem	Mo	10:00–11:00	2.007	–	RM	RM	RM	RM	RM	RM	RM	RM	RM
Sem	Mo	11:00–12:00	2.007	–	RM	RM	RM	RM	RM	RM	RM	RM	RM
Lec	Fr	09:00–11:00	M1	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM

Note: Sem = Seminar, Lec = Lecture, RM = Rory Mullen, – = not scheduled.

# Term Schedule

Week	Material	Optional Additional Reading
01	Lecture 1: Introduction to Financial Markets No seminar Reading: Philippon and Reshef (2013), Mishkin and Eakins (2018, Chapters 1, 2, and 7)	Greenwood and Scharfstein (2013), Saunders and Cornett (2015, Chapter 1), and Madura (2014, Chapters 1 and 12)
02	Lecture 2: Interest Rates and Term Structure Seminar on Problem Set 1: Introduction to Financial Markets Reading: Campbell (1995), Mishkin and Eakins (2018, Chapters 3 and 5), and Misawa (2020)	Gürkaynak and Wright (2012), Blanchard (2016, Chapter 9.2), Saunders and Cornett (2015, Chapters 2 and 3), and Madura (2014, Chapter 3)
03	Lecture 3: Central Banks and Money Markets Seminar on Case Study 1: Negative Interest Rates: The BoJ Experience Reading: Bernanke (2013), Mishkin and Eakins (2018, Chapters 9, 10, and 11)	Kacperczyk and Schnabl (2010), Saunders and Cornett (2015, Chapters 4 and 5), and Madura (2014, Chapters 4, 5, and 6)
04	Lecture 4: The Bond Market Seminar on Problem Set 2: Interest Rates, Central Banks, Money Markets Reading: Krishnamurthy (2010), Mishkin and Eakins (2018, Chapter 12), and Jiang et al. (2020)	Litterman and Scheinkman (1991), Saunders and Cornett (2015, Chapter 6), Hull (2015, Chapters 25.1 and 25.2), and Madura (2014, Chapters 7 and 8)
05	Lecture 5: The Stock Market Seminar on Case Study 2: Green Trend: An Overseas Red-Chip IPO Reading: Hong and Stein (2007), Mishkin and Eakins (2018, Chapter 13), Saunders and Cornett (2015, Chapter 8)	Borio et al. (2017), Malkiel (2003), Mills (1968), Loughran and Ritter (2002), and Madura (2014, Chapters 10, 11, and 12)
06	Lecture 6: The Mortgage Market Seminar on Problem Set 3: Bond Markets and Stock Markets Reading: Mayer et al. (2009), Mishkin and Eakins (2018, Chapter 14), and Siriwardane et al. (2020)	Saunders and Cornett (2015, Chapter 7), Madura (2014, Chapter 9), and Green and Wachter (2005)
07	Lecture 7: The Foreign Exchange Markets Seminar on Case Study 3: MBS and the Covid-19 Pandemic Reading: Froot and Thaler (1990), Mishkin and Eakins (2018, Chapter 15)	Saunders and Cornett (2015, Chapter 9), and Madura (2014, Chapter 16)
08	Lecture 8: Risk Management and Derivatives Seminar on Problem Set 4: Mortgage Markets, Foreign Exchange Markets Reading: Stulz (2004), Mishkin and Eakins (2018, Chapters 23 and 24), and Nagel (2015)	Stulz (2010), Saunders and Cornett (2015, Chapter 10), and Madura (2014, Chapters 13, 14, and 15)
09	Lecture 9: Financial Intermediation Seminar on Case Study 4: Hedging at Porsche Reading: Stulz (2007), Mishkin and Eakins (2018, Chapters 19, 20, and 22)	Spulber (1996), Stoll (2003), Saunders and Cornett (2015, Chapters 11, 13, and 18), and Madura (2014, Chapters 17, 20, and 23)
10	Lecture 10: Review of Financial Markets Seminar on Problem Set 5: Risk Management, Financial Intermediation Reading: No new readings	