

ECONOMICS 3480 — Money and Financial Markets

Winter Quarter 2014

MW, 6:00-7:50 PM, Sturm Hall 133

Professor Tracy Mott

Office — Sturm Hall 245

Office Hours — Mondays, Tuesdays, Wednesdays, and Thursdays, 2:00-6:00 PM*

SYLLABUS

This course examines the workings of the financial markets and their relation to the monetary system and to the macroeconomy. We will begin by looking broadly at what serves as money and credit and the institutions involved in trading them in a modern economy. We then will analyze in more depth the issuance and trading of assets on the debt markets — the money market and the bond market. Then we will look at the process of the “securitization” of financial claims, and the other “derivative” claims which accompany them and how these are traded like debt instruments. We next turn to the equity markets — the markets for shares of corporate stock. At the end of the course we will look at the futures and options markets, and we will talk about some issues and concerns that arise explicitly in futures markets that also apply to aspects of the debt and equity markets in important ways that will help us sum up some of the main points of the course. The main concern of the course is with the theories of what determines prices and yields of the assets traded on these markets and what these markets have to do with providing finance for the economy and with the performance of the economy.

The reading material for the course will be taken from two books that should be available for purchase in the bookstore — Frank Fabozzi, Franco Modigliani, and Frank Jones, *Foundations of Financial Markets and Institutions*, 4th edition, and Burton Malkiel, *A Random Walk Down Wall Street*, 10th edition — and from readings that I will pass out in class. The representative from Pearson told me that she could get us a version of the Fabozzi, Modigliani, and Jones book that would be around \$100 cheaper than the hardback version of the book. This version only has the chapters that I will be assigning from the book, and it is in a three-hole punch format, and they arranged the chapters in the order we will be covering them and re-numbered them, differently from the numbers in the hardback edition. I sent a message to everyone whom I knew was registered or going to be registered for the course back in December because the bookstore asked me to ask you all to pre-order this version of the book from them in advance. Since they have very limited returns on unsold custom books like this, they don't want to order too many, and if they run out, it will take them 2-3 weeks to get more orders in. So if you haven't already ordered the book, you should do so right away. The custom version for us I believe is entitled “ECON 3480, Money and Financial Markets, University of Denver.”

The written assignments which will determine your grade in the course will be three papers, or essays, assigned over the course of the quarter. That is, each student will write a short paper (3-5 pages) answering questions that I will ask relating to key issues that we will be covering. Students will be asked to give me a first version of their essay two class periods before the final version is

* I should be in or around my office most, but not every minute, of these hours. I will try to let you know in advance when there are significant periods of time when I can't be there during these hours.

due. I will make comments on the first version and e-mail them to you before the next class, and you will get me the final version at the beginning of the class after that. The final version of the third paper will likely be due on Friday, March 14, the date for which our final exam is scheduled.

Here is a rough guide to the sections into which the course will be divided and the readings we will be covering in each section and my best guess of the time we will be spending on each section:

Course section:	Reading:	Dates:
Section I — money and finance and the players and markets involved	Fabozzi, Modigliani, & Jones, Chaps. 1, 2	Jan. 6, 8
Section II — asset prices & yields and interest rates	Fabozzi, Modigliani, & Jones, Chaps. 3, 4, 5	Jan. 13, 15, 22, 27, 29
Section III — primary and secondary markets	Fabozzi, Modigliani, & Jones, Chaps. 6, 7, 8	Jan. 29, Feb. 3
Section IV — the debt markets	Fabozzi, Modigliani, & Jones, Chaps. 9, 10, 11, 12, 13	Feb. 5, 10, 12
Section V — securitized assets and related derivatives	Fabozzi, Modigliani, & Jones, Chaps. 14, 15, 16, 17, 18	Feb. 13, 15, 20
Section VI — the equity markets	Fabozzi, Modigliani, & Jones, Chaps. 19, 20, 21 Malkiel, Chaps. 1-11, 13 John Maynard Keynes, <i>The General Theory of Employment, Interest, and Money</i> , Chap. 12 Peter Bernstein, <i>Against the Gods</i> , Chap. 17	Feb. 24, 26, Mar. 3, 5, 10
Section VII — futures and options	Fabozzi, Modigliani, & Jones, Chaps. 22, 23 Malkiel, Supplement & Appendix	Mar. 12