

UNIVERSITY OF HOUSTON

FINA 7A20, CAPITAL MARKETS Spring 2023 (Zoom live class)

University Policy Notice:

Vaccinations

Data suggests that vaccination remains the best intervention for reliable protection against COVID-19. Students are asked to familiarize themselves with pertinent vaccine information and to consult with their health care provider. The University strongly encourages all students, faculty and staff to be vaccinated.

Reasonable Academic Adjustments/Auxiliary Aids

The University of Houston complies with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, pertaining to the provision of reasonable academic adjustments/auxiliary aids for disabled students. In accordance with Section 504 and ADA guidelines, UH strives to provide reasonable academic adjustments/auxiliary aids to students who request and require them. If you believe that you have a disability requiring an academic adjustments/auxiliary aid, please contact the Justin Dart Jr. Student Accessibility Center (formerly the Justin Dart, Jr. Center for Students with DisABILITIES).

Excused Absence Policy

Regular class attendance, participation, and engagement in coursework are important contributors to student success. Absences may be excused as provided in the University of Houston Undergraduate Excused Absence Policy and Graduate Excused Absence Policy for reasons including: medical illness of student or close relative, death of a close family member, legal or government proceeding that a student is obligated to attend, recognized professional and educational activities where the student is presenting, and University-sponsored activity or athletic competition. Under these policies, students with excused absences will be provided with an opportunity to make up any quiz, exam or other work that contributes to the course grade or a satisfactory alternative. Please read the full policy for details regarding reasons for excused absences, the approval process, and extended absences. Additional policies address absences related to military service, religious holy days, pregnancy and related conditions, and disability.

Recording of Class

Students may not record all or part of class, livestream all or part of class, or make/distribute screen captures, without advanced written consent of the instructor. If you have or think you may have a disability such that you need to record class-related activities, please contact the Justin Dart, Jr. Student Accessibility Center. If you have an accommodation to record class-related activities, those recordings may not be shared with any other student, whether in this course or not, or with any other person or on any other platform. Classes may be recorded by the instructor. Students may use instructor's recordings for their own studying and notetaking. Instructor's recordings are not authorized to be shared with anyone without the prior written approval of the instructor. Failure to comply with requirements regarding recordings will result in a disciplinary referral to the Dean of Students Office and may result in disciplinary action.

Syllabus Changes

Due to the changing nature of the COVID-19 pandemic, please note that the instructor may need to make modifications to the course syllabus and may do so at any time. Notice of such changes will be announced as quickly as possible through (specify how students will be notified of changes).result in disciplinary action.

INSTRUCTOR: Guojun Wu, Ph.D. Professor of Finance
OFFICE: Melcher 220F
OFFICE HOURS: Email for Zoom sessions
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COURSE MATERIALS:

Required:

“Investments”, Bodie, Kane, and Marcus, 12th edition, McGraw-Hill.
ISBN 978-1260013832 (earlier edition acceptable)

Recommended:

Class notes, cases, and readings on Blackboard

COURSE DESCRIPTION:

This course covers the capital markets and some important concepts in investments. The course uses both the lecture and the case method of instruction to develop a practical understanding of financial instruments and markets.

It first introduces the investment environment and the relationship between the financial markets and the economy. It highlights the importance of the financial markets in the functioning of a market economy and in meeting the needs of the various clients of the financial system. The course then moves on to discuss various financial instruments and their trading in the money market, the fixed income market, the equity market and derivatives market. A natural extension of these instruments as an investment vehicle leads to development of mutual funds and other investment companies.

The course also covers fixed income securities in detail. In particular, bond pricing, yields, the term structure of interest rates are the basic concepts to be discussed. The final part of the course covers some important derivative securities such as forwards/futures, the VIX products and interest rate swaps.

COURSE WEBSITE

Course materials other than the textbooks are posted on the website. You should check the website regularly, and it should be the first place you want to look for course related information or if you have questions regarding assignments and cases.

CASES

Case package at
<https://hbsp.harvard.edu/import/1009673>

There might be one or two cases for assignment in the course. You are expected to form groups of three or four members. In order to deal fairly with evaluation problems, every group member will be required to submit a participation grade for every other member at the final quiz (on a scale of 1 to 10).

The written case report PPT is due at the beginning of the assigned class period. No late submissions will be accepted. The analysis should consist of specific and concise responses to the case questions, supported by tables or quantitative analysis as required. For each case, one or more groups will be assigned to present their analyses in class. The presentation itself will not be graded. You are encouraged to email the presentation slides to me a day before the discussion.

QUIZ

There will be an in-class final quiz at the end of the seven-week term. It will be open book, open notes and open for Googling.

ATTENDANCE

Students should attend all live Zoom classes during class time.

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GRADE

Your grade will be determined according to the following weighting scheme:

Case Reports	50%
Quiz	50%

COURSE OUTLINE: (subject to change by the instructor during the semester)

Pay attention to announcements in class for due dates.

Introduction, Markets and Instruments

Readings: BKM Chapter 1-2, 4

Market Structure, Trading, and Asset Returns

Readings: BKM Chapter 3, 5

Dimension Fund Advisors, 2002 [HBS Case]

Introduction to bond markets and U.S. Treasury securities

Basics of bond prices and yields

Readings: BKM Chapter 14

Arbitrage in the Government Bond Market? [HBS Case]

CASE Assignment: Fixed Income Arbitrage in a Financial Crisis (A, B): US Treasuries in 2008
[HBS Case]

Case discussion

Term structure of interest rates

Readings: BKM Chapter 15

Forwards, Futures, and Equity Swaps

Readings: BKM Chapter 22-23

(Optional)

Floating rate notes and interest rate swaps

Readings: Long-Term Capital Management, L.P. [HBS Case]

QUIZ (posted to Blackboard)