Introduction

This course is a graduate-level introduction to financial markets and institutions. Market-centric topics include: primary and secondary financial markets; government regulation of financial markets; loanable funds theory; the term structure of interest rates; financial market efficiency; and the bond, money, mortgage, and derivative markets (pricing, characteristics, history, etc.) Institution-centric topics include: commercial banks, investment banks, hedge funds, mutual funds, pension funds, structured investment vehicles, and other finance companies. A variety of tangential topics will be introduced, as appropriate, throughout the course. Examples include: fixed-income and derivatives-based arbitrage, corporate control, and institutional history, among many others.

Class Meetings and Expectations

This course meets on Tuesday evenings from 6:30PM until 9:15PM. All sessions will consist of a combination of lectures and seminar-based discussions—split roughly down the middle. Active participation is absolutely critical and my demands are high: you will be prepared to discuss all assigned readings on a weekly basis; you will read and prepare either oral or written presentations of three books (roughly five weeks is set aside for all three assigned works); and you will successfully complete two examinations (one in-class mid-term and a take-home final). The mid-term examination will consist of extended multiple choice questions, free-response questions, and essays. The take-home final examination will consist of the same.

Grading and Assignments

Standard grading (A-F) will be used in this course. Additionally, the plus/minus system will be applied as follows:

- \(93 < A\)
- \(80 < B-\)
- \(67 < D+\)
- \(90 < A-\)
- \(77 < C+\)
- \(63 < D\)
- \(87 < B+\)
- \(73 < C\)
- \(60 < D-\)
- \(83 < B\)
- \(70 < C-\)
- \(60 > F\)

The final grade will be determined based on the completion of the following requirements:
Mid-Term Exam (25%)
Final Exam (25%)
*When Genius Failed* – Oral Exercise (10%)
*The Death of the Banker* – Written Exercise (10%)
*Street Fighters* – Written Exercise (10%)
Class Participation (20%)

I maintain the right to follow the grading scale set forth on the previous page; however, as this is a graduate course, I have little interest in handing out poor marks. My assigned workload is significant, but if you are committed and energetic about learning, I am confident that your grades will pretty much fall into place.

**Office Hours**

I do not maintain an office at the University of Delaware, but I will be available on a weekly basis (precise days and times TBD) in the finance conference room (322 Purnell Hall). I am also available, by appointment, at my corporate office (100 Dean Drive, Newark, DE 19711) which is just a short walk off of campus.

**Course Materials**

FINC855 involves a significant amount of reading. The primary textbook is a custom edition designed specifically for this course:


Three popular press books are required (approximately five weeks is provided for the reading of each individual book):


Numerous scholarly, practitioner, and news-related readings are also assigned on a weekly basis. Many of these selections are expressly noted in this syllabus; however, I occasionally will provide reading packets via Sakai which are to be considered TBD for the purposes of flexibility (as the semester progresses, I may tweak readings to provide for a better fit with past conversations, current events, etc.)

Though by no means required, select chapters of the following textbook can be quite helpful for students when it comes to understanding the foundational material of this course:

Other supplemental materials are noted in the tentative schedule. These are also not required readings, but will probably color my discussions to some extent on a weekly basis. Additionally, they serve as good resources for further consideration if a particular topic catches your interest, remains elusive, etc.

**Sakai**

On Sakai, you will find the following:

- A copy of the syllabus
- Links to all required readings (except for the Textbook and other books)
- Links to all supplemental readings (except for CWS and other books)
- All exploratory notes
- All supplemental slides from the Textbook
- Problem sets and answer keys
- Practice exams, supplements, and answer keys

My exploratory notes are presented in an outline form which must be filled out as the lecture/discussion proceeds on a weekly basis. To help ensure attendance, I do not post completed exploratory notes on Sakai (only the outline). If you are absent from a session, you will need to gather the missed information from a classmate.

**N.B. Exploratory notes will be posted no later than the morning of class. Links to all readings will be posted at least one week ahead of their respective due dates. Please print out all notes and bring them with you (if you prefer, you may use your laptops or tablet devices for viewing, note-taking, etc. in class) as paper-handouts will not be provided.**

**Tentative Course Schedule**

*February 5, 2013*

Notes: 2_5_13_Syllabus (Syllabus and Discussion of Course Content)

*February 12, 2013*

Notes: 2_12_13_Part_1 (Introduction to Financial Markets)  
2_12_13_Part_2 (Importance of Secondary Markets)  
2_12_13_Part_3 (Readings)

Required Readings: Textbook, Chapter 1 (See PPT slides on Sakai as well)  


Supplemental Readings: CWS, Chapter 1 (Capital Markets, Consumption, and Investment)


**February 19, 2013**


Required Readings: Textbook, Chapter 1 (See PPT slides on Sakai as well) Reading Packet – Anti-Regulation Reading Packet – Pro-Regulation

**February 26, 2013**

Notes: 2_26_13_Part_1 (Loanable Funds) 2_26_13_Part_2 (Loanable Funds II)


**March 5, 2013**

Notes: 3_5_13_Part_1 (Term Structure of Interest Rates) 3_5_13_Part_2 (Critical Global Interest Rates) 3_5_13_Part_3 (Readings)


**March 12, 2013**

Notes: 3_12_13_Part_1 (Financial Market Efficiency) 3_12_13_Part_2 (Bond Prices – A Reintroduction)
3_12_13_Part_3 (Readings)

Required Readings: Textbook, Chapter 3 (See PPT slides on Sakai as well)

Supplemental Readings: CWS, Chapters 10 and 11 (Efficient Capital Markets)

DUE DATE: Oral interview regarding *WHEN GENIUS FAILED* must be completed before class.

March 19, 2013

Notes: 3_19_13_Part_1 (Bond Price Sensitivity)
3_19_13_Part_2 (Duration)
3_19_13_Part_3 (Convexity)
3_19_13_Part_4 (Review)

Required Readings: Textbook, Chapter 3 (See PPT slides on Sakai as well)

March 26, 2013

No Class – Spring Break

April 2, 2013

MID-TERM EXAMINATION

April 9, 2013

Notes: 4_9_13_Part_1 (Bond Markets – General Overview)
4_9_13_Part_2 (Historical Merger Waves)
4_9_13_Part_3 (Junk-Financing and Corporate Control)
4_9_13_Part_4 (Readings)

Required Readings: Textbook, Chapter 6 (See PPT slides on Sakai as well)
Reading Packet – Allegheny International


**April 16, 2013**

Notes: 4_16_13_Part_1 (Money Markets – General Overview)  
4_16_13_Part_2 (Money Market Data)  
4_16_13_Part_3 (Readings)

Required Readings:  
Textbook, Chapter 5 (See PPT slides on Sakai as well)  
Reading Packet – Breaking the Buck on MMMFs  
Reading Packet – Repurchase Agreement Basics

Supplemental Readings:  

**DUE DATE:** Written essays regarding *STREET FIGHTERS* must be completed before class.

**April 23, 2013**

Notes: 4_23_13_Part_1 (Shadow Banking System)  
4_23_13_Part_2 (Readings)

Required Readings:  
Textbook, Chapter 5 (See PPT slides on Sakai as well)  

**April 30, 2013**

Notes: 4_30_13_Part_1 (Introduction to Mortgage Markets)  
4_30_13_Part_2 (Secondary Mortgage Market Securities)  
4_30_13_Part_3 (Readings)

Required Readings:  
Textbook, Chapter 7 (See PPT slides on Sakai as well)  
Reading Packet – Pass-through, CMO, and other MBS

**May 7, 2013**

Notes: 5_7_13_Part_1 (Introduction to Derivative Securities)  
5_7_13_Part_2 (Options and Options Pricing)  
5_7_13_Part_3 (Volatility Plays)  
5_7_13_Part_4 (Readings)

Required Readings:  
Textbook, Chapter 10 (See PPT slides on Sakai as well)  
Reading Packet – History of Options Pricing

Supplemental Readings:  
CWS, Chapter 7 (Pricing Contingent Claims)
May 14, 2013

Notes: 5_14_13_Part_1 (Forwards and Futures)
5_14_13_Part_2 (Swaps)
5_14_13_Part_3 (Caps, Floors, and Collars)
5_14_13_Part_4 (Readings)

Required Readings: Textbook, Chapter 10 (See PPT slides on Sakai as well)
Reading Packet – Swaps and Risk Management

Supplemental Readings: CWS, Chapter 8 (Forward Contracts and Futures)

DUE DATE: Written essays regarding THE DEATH OF THE BANKER must be completed before class.

May 24, 2013

TAKE-HOME FINAL EXAMINATION DUE DATE