

FORDHAM UNIVERSITY

Master of Science in Global Finance

Fall 2017

GFGB 6010: GLOBAL FINANCIAL MARKETS

Dates & Location:

GFGB 6010 Section 003: Wednesday, 08.45 am - 10.45) (XList FNGB 74AY 002)

GFGB 6010 Section 004: Wednesday, 11.00 am -1.00 pm

GFGB 6010 Section 001: Thursday, 11.00 am - 1.00 pm (XList FNGB 74AY 001)

GFGB 6010 Section 002: Thursday, 01.15 pm - 3.15 pm

Instructors:

Professor Michael Cheah Yee Seng CFA

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and

Professor N. K. Chidambaran

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Fordham University

45 Columbus Avenue, #518

New York, NY 10023

E-mail: chidambaran@fordham.edu

Office Hours: **By Appointment**. 3.30 pm to 5.30 pm are generally good.

SYNOPSIS:

This course is intended as an introduction to Global Financial Markets. We will discuss the instruments traded in the markets, the institutions that support and frame the markets, the trading mechanisms and the regulatory structure. The course is intended to be descriptive and conceptual. The aim is to familiarize you with the breadth and scope of equity, debt, and derivative markets. We shall discuss the recent developments in the US and the development of financial markets globally.

TEXT AND MATERIALS:

-) Financial Markets and Institutions 12th Edition by Jeff Madura (Cengage)
-) Fundamentals of Futures and Options, 7th or 8th edition, John Hull [not required but additional reading]

GRADING

This course has the following deliverables that determine your grade:

Part 1

)	Class participation	10%
)	Group projects	20%
)	Midterm exam/presentation	20%

Part 2

)	Case Reports	20%
)	Final Exam	30%

Assignments received after their due dates will not be accepted.

CLASSROOM COURTESIES

1. Students are expected to arrive at class on time
2. Coffee, soft drinks, snacks etc. are allowed

ZERO TOLERANCE POLICIES

1. Students **must** switch off all electronic devices including mobile phone and laptop
2. Research Paper Plagiarism: Plagiarism is presenting someone else's work as though it were one's own. More specifically, plagiarism is to present as one's own a sequence of words quoted without quotation marks from another writer; a paraphrased passage from another writer's work; creative images, artwork, or design; or facts or ideas gathered, organized, and reported by someone else, orally and/or in writing and not providing proper attribution. Since plagiarism is a matter of fact, not of the student's intention, it is crucial that acknowledgement of the sources be accurate and complete. Even where there is no conscious intention to deceive, the failure to make appropriate acknowledgment constitutes plagiarism. **Penalties for plagiarism range from failure for a paper or course to dismissal.**

Bloomberg Market Concept (BMC)

All students must complete the free BMC course, online or on the terminals in the trading room before the midterm examination.

Please sign up as a Learner on this website

<https://portal.bloombergforeducation.com/register>

using Class Code: 4K1H60GJBS

If you need any help, please contact the class graduate assistant

Lesson Plan and Reading Assignments:

Syllabus Disclaimer: Your instructor reserves the right, in his sole discretion, to modify this syllabus. Any modifications will be announced in class

Week 1 Introduction to Bloomberg Currency Markets

From gold to petrodollar and bitcoins
Foreign exchange markets and key institutions
Exchange rate policies
The future of the Euro
Purchasing Power Parity and Trade Weighted Index
Determinants of exchange rate

BMC Module 1 Economic Data

BMC Module 2 Currencies

Madura Chapter 16 Foreign Exchange Derivatives Market (without the appendix)

19 industries that Blockchain will disrupt

<https://futurism.com/china-to-start-using-blockchain-to-collect-taxes-and-send-invoices/>

The Effect of the Strong Dollar on U.S. Growth

<http://libertystreeteconomics.newyorkfed.org/2015/07/the-effect-of-the-strong-dollar-on-us-growth.html#.Vaj4AvlamzQ>

Week 2 Fixed Income Markets (I)

Discount rate and asset valuation

Duration risk

Yield curve

Treasury bond market

Inflation-indexed bonds

BMC Module 3 Fixed Income

Madura Chapter 3 Structure of Interest Rates

(refresher for those who have forgotten the basics)

Madura Chapter 8 Bond Valuation and Risk

Madura Chapter 7 Bond Markets (Page 159-165)

Week 3 Fixed Income Markets (II)

Credit risk and the corporate bond markets

Prepayment risk in the mortgage backed securities market

Contingent convertibles

Madura Chapter 7 Bond Markets (Page 165-184)

Madura Chapter 9 Mortgage Backed Securities

Week 7 **Key Participants in the Global Financial Markets (2)**

Key strategies of Hedge Funds

Fraudulent practices in the Hedge Fund Industry

Lessons from the collapse of hedge fund, LTCM - David Shirreff

http://elsa.berkeley.edu/users/webfac/craigne/e137_f03/137lessons.pdf

Leveraged Losses: Lessons from the Mortgage Market Meltdown

David Greenlaw, Jan Hatzius, Anil K Kashyap, Hyun Song Shin

Week 8 **Midterm exam/presentation 50%**

Week 9 **Derivative Markets (1)**

Forward and Futures Basics

Futures Vs. Forwards

Equity/Commodity/FX/Interest Rate Futures

Fixed/Floating Swaps

Credit Derivatives: An Overview - David Mengle

http://www.frbatlanta.org/filelegacydocs/erq407_mengle.pdf

Madura Chapter 13 Financial Futures Markets

Madura Chapter 15 Swap Markets

Class Notes

Week 10 **Derivative Markets (3)**

Introduction to Options

Black-Scholes Model

Options Strategies

Case: Hybrid Bonds: Stock Market Returns, Zero Risk To Principal

Madura Chapter 14 Option Markets

Week 11 **Key Participants in Global Financial Markets (1)**

How Banks Make Money
Banking Regulation

Madura Chapter 17 Commercial Bank Operations
Madura Chapter 18 Bank Regulation
Madura Chapter 5 Monetary Policy

Capital Standards for Banks: The Evolving Basel Accord
<http://www.federalreserve.gov/pubs/bulletin/2003/0903lead.pdf>

Week 12 **Key Participants in Global Financial Markets (3)**

Investment Banks
Underwriting Equity
Underwriting Debt
Securitization

Investment Banking and the Underwriting of Securities
The Use of Value at Risk by Institutional Investors, Katerina Simons
<http://www.bos.frb.org/economic/neer/neer2000/neer600b.pdf>

Madura Chapter 24 Securities Operations

Week 13 **Key Participants in Global Financial Markets (4)**

The Market for Insurance
Pension Funds and other Institutional Investors

Madura Chapter 25 Insurance Operations
Madura Chapter 26 Pension Fund Operations

Corporate Governance and Investor Activism
Ethics
Corporate Social Responsibility

Week 14 **FinTech**

Non-bank Payment Systems
Peer-to-Peer Lending
Bitcoin

Case: The Lending Club

CLASS DAYS/DATES:

Wednesday Class:

- 01 Aug 30 - Prof Cheah Class 1
- 02 Sep 06 - Prof Cheah Class 2
- 03 Sep 13 – Prof Cheah Class 3
- 04 Sep 20 - Prof Cheah Class 4
- 05 Sep 27 - Prof Cheah Class 5
- 06 Oct 04 - Prof Cheah Class 6
- 07 Oct 11 - Prof Cheah Class 7
- 08 Oct 18 - Prof Cheah's midterm exam

- 09 Oct 25 - Prof Chidambaran Class 2
- 10 Nov 01 - Prof Chidambaran Class 3
- 11 Nov 08 - Prof Chidambaran Class 4
- 12 Nov 15 - Prof Chidambaran Class 5
- 13 Nov 29 - Prof Chidambaran Class 6
- 14 Dec 06 - Prof Chidambaran Class 7

- 15 Dec 13 - Final Exam

Thursday Class:

- 01 Aug 31 - Prof Cheah Class 1
- 02 Sep 07 - Prof Cheah Class 2
- 03 Sep 14 - Prof Cheah Class 3
- 04 Sep 21 - Prof Cheah Class 4
- 05 Sep 28 - Prof Cheah Class 5
- 06 Oct 05 - Prof Cheah Class 6
- 07 Oct 12 - Prof Cheah Class 7
- 08 Oct 19 - Prof Cheah's midterm exam

- 09 Oct 26 - Prof Chidambaran Class 2
- 10 Nov 02 - Prof Chidambaran Class 3
- 11 Nov 09 - Prof Chidambaran Class 4
- 12 Nov 16 - Prof Chidambaran Class 5
- 13 Nov 30 - Prof Chidambaran Class 6
- 14 Dec 07 - Prof Chidambaran Class 7

- 15 Dec 14 - Final Exam

N.K. Chidambaran is an associate professor of finance at the Gabelli School of Business. Prior to his career at Fordham, he served on the faculty at Rutgers University and Tulane University.

Professor Chidambaran teaches corporate finance, corporate governance and risk management, and he does research in corporate finance and financial derivatives. His work has been published in leading academic journals such as the *Journal of Financial Economics*, *the Journal of Risk and Insurance*, *the Journal of Derivatives* and the *Financial Analysts Journal*, as well as in books and as part of conference proceedings. He has made presentations at major academic conferences.

Professor Chidambaran received his doctorate from New York University's Stern School of Business and a BTech from the Indian Institute of Technology, Bombay.

Michael Cheah is Clinical Associate Professor and Academic Director for the MS Global Finance program. He is the 2017's recipient of the Gabelli School of Business' graduate-level Stanley Fuchs Award as well as the graduate-level Gladys and Henry Crown Award for Faculty Excellence.

Professor Cheah has more than 30 years of market experience. Until recently, he was the executive vice president of Capital Position, one of the financial industry's premier positioning, growth strategy, and global marketing firms. Before that, he worked as the senior vice president and senior portfolio manager responsible for all investment-grade fixed income portfolios at AIG SunAmerica Asset Management Corp. He also spent 17 years at the Monetary Authority of Singapore, where he was the head of the U.S. Bond Division, Markets, and Investment Department, and chief representative of the New York office. His responsibilities at the monetary authority included managing foreign-exchange reserves and overseeing external relationships with financial and government institutions in the United States.

He also has taught global finance and macroeconomics at New York University, where he was senior adviser for the private sector concentration. He received his bachelor's degree in business administration from the National University of Singapore and a master of science degree in management from London Business School, where he was a Sloan Fellow and a Monetary Authority of Singapore postgraduate scholarship recipient. He is a Chartered Financial Analyst and Financial Risk Manager.