

L.DeMarco
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Spring 2017

Economics of Capital Markets 220: 414

Rutgers University
Department of Economics

Class Hours: T,F 9:50 am - 11:10 am

Office Hours: Monday 11:30 am– 12:30 pm

Friday 11:30 am – 12:30 pm and by appointment

Classroom :Murray hall 212

Office : NJ Hall 405

Econ 414(3 credits): Economics of Capital Markets is a “upper“ level elective

Capital Markets match the demand for funds with the supply of funds and fuel the economic growth by allocating capital. This course takes an economic approach towards international capital markets. Through applications and practice we aim to understand the markets for equities, debt, and currencies with respect to the borrowing and financing in our own economy and even emerging markets.

Prerequisite : 220:393 Financial Economics

220:321 Intermediate Macroeconomics

220:322 Econometrics

All prerequisites require a minimum grade of C

Text : Introduction to International Capital Markets 2nd edition

Andrew M. Chisholm

ISBN: 978-0470758984

Data analysis tool :Microsoft Excel /R

Learning Goals:

Upon conclusion student will have researched and practiced:

- Capital Market dynamics through an economic lens
- Role of Equity Markets, Bond Markets, Interest Rate Markets and Foreign Exchange Markets on the international Capital Market
- Employ analytical tools to guide decision making under uncertainty in the Capital Markets
- Your role as an capital markets analyst

Pedagogy:

- This course will employ lectures, supplemental reading and additional online resources, quizzes and RP (see NOTES page 3)

Grading : (2) Midterm (in-class each 25%) 50%

(2) 30 minute quizzes (via Sakai) 15%

No make-up quizzes

(5) RP (Groups of 4) 25%

Attendance/Participation 10 % <http://sims.rutgers.edu/ssra>

All of our course materials (slides and excels) are for our course use only, redistribution is prohibited and protected.

Academic Integrity

Cheating and Plagiarism will not be tolerated. I will give enough opportunity to earn high grades by yourself there is no need for me to find any cheating or plagiarism of any sort. Dr. Sopher will be notified immediately.

All quizzes and RP will be completed by their due dates, **no late work to be accepted.**

Attendance

Students are expected to attend all classes. If you expect to miss more than one or two classes because of illness or a family emergency, please use the University absence reporting website <http://sims.rutgers.edu/ssra> to indicate the date and reason for your absence. An email is automatically sent to me.

Class Conduct

It is the expectation of mutual respect throughout the course, not only between instructor and student but between you and your peers.

No recordings/photos/videos are to be taken of our class, you will have access to all materials needed via Sakai and such infringes on the privacy of everyone in the course

Sakai

The quizzes will be administered via our Sakai coursesite module. Any issues taking quizzes via Sakai module will impede your course be aware of this from the start of our course. Discuss with me your issues with this type of testing ASAP. Everything you will need will be available through our Sakai coursesite as well.

Communication:

Primary e-mail: ldemarco@econ.rutgers.edu

In case of emergency :l.demarco.ru@gmail.com

E-mails are expected to be professional and proper, only e-mails of this type will be answered.

Missed quizzes/exams:

A missed quiz will earn a zero points, no make-up for quizzes.

A missed exam will earn zero points. Departmental Make-Up Exams will only be given under extraordinary circumstances. Students should check with me before missing an exam to see whether their particular circumstances meet my very limited definition of extraordinary.

Notes:

- Quizzes and Midterms will be multiple choice, T/F and/or fill in questions that test concept and/or calculation
 - They are to be completed individually
- RP in this course are research and/or practice assignments
 - Groups of 4 or less
 - You will submit your work as well as an accompanying questionnaire via sakai
- Attendance/Participation will include in class and in addition online interaction:
 - (1) Asking at least 1 question each week on our course website
 - (2) Answering at least 1 question each week on our course website

All quizzes and RP will be completed by their due dates, no late work to be accepted.

All grades achieved during the semester are finalized by the last day of class.

Any RP grades for review must be in writing within 5 days of grade return.

	Topics	Chapters	RP	Quizzes
Week 1 1/15	Financial Markets refresher Capital Market participants	<i>CH 1</i>		
Week 2 1/22	Primary Markets and Secondary Markets , EuroMarkets and deregulation	...		
Week 3 1/29	Capital structuring, gearing and risk management Modigliani-Miller theorem	<i>Notes</i>	Release RP1	Quiz 1
Week 4 2/5	Equity markets:, the power of issuing stocks, IPO, stock futures, options, and swaps	<i>CH 8,15</i>		
Week 5 2/12	..continued Benchmark Indexing, ETFs, MNC and ADRs/GDRs			
Week 6 2/19	Debt markets : financing activities in Money Markets, government bonds, cat bonds	<i>CH 2,4</i>	Release RP2	
Week 7 2/26	Corporate bonds, convertible bonds , bond futures , flexibility of Eurobonds Yield curve construction	<i>CH 6, 12* optional</i>		
Week 8 3/5	Midterm 1: 3/7 A Challenge: The Equity premium puzzle	<i>Notes</i>		Mid 1
Week 9 3/12	Spring break			
Week 10 3/19	Interest rate markets and instruments Futures, Swaps and valuation	<i>CH 11,13, 14</i>		
Week 11 3/26	Foreign Exchange markets and currency instruments Exchange rate forwards, swaps and futures	<i>CH 3</i>	Release RP3	
Week 12 4/2	Currencies, fixed exchange rate regimes, government intervention			
Week 13 4/9	Relationship between the dollar, the euro, the yen Midterm 2: 4/11			Mid 2
Week 14 4/16	Emerging markets: Globalization and the capital markets international debt : historical and current examples	<i>Notes</i>	Release RP4	
Week 15 4/23	Equity and Debt structures to promote growth	<i>CH 4</i>	Release RP5	Quiz 2
5/1	Are capital markets the key to economic growth?			

Disclaimer: The dates of quizzes, midterms and RP are tentative, they can change due to our class meetings. I will discuss in advance before release and due dates. I reserve the right to make any changes to the syllabus.

Overview

Part 1 Capital Markets

- Equity and Debt Markets overviews
- Primary and Secondary markets for borrowing and financing
- Market participants

Part 2 Capital market instruments

- The role of Equity, Debt, Interest rates and Currencies in borrowing and financing

Part 3 Emerging Markets

- Capital markets role in both developed and emerging markets

Appendix

Important Dates:

Last Day to Drop a Course Without a "W" January 24

Undergraduate Drop period with a "W" grade January 25 thru March 20

[Spring 2017 Academic Calendar](#)

GRADE BRACKETS

A	$90 \leq x \leq 100$
B+	$85 \leq x < 90$
B	$80 \leq x < 85$
C+	$75 \leq x < 80$
C	$70 \leq x < 75$
D	$60 \leq x < 70$
F	$x < 60$

Disclaimer: I reserve the right to curve final grades due to the level of difficulty in the nature of the course. No additional points will be given to grades; the grade brackets will shift to support the curve.

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Student-Wellness Services:

Just In Case Web App, for a mental health crisis for you are a friend:

<http://codu.co/cee05e>

Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues:

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 www.rhscaps.rutgers.edu/

Violence Prevention & Victim Assistance (VPVA)

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 www.vpva.rutgers.edu/

Disability Services

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 /
<https://ods.rutgers.edu/>

Scarlet Listeners, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555