



# **Course Syllabus**

## **Financial Markets**

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**August – December 2018**

**IX Cycle**

**Lecturer**

**Edmundo Lizarzaburu Bolaños**

## I. Course Data

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Subject : **Financial Markets**  
Requisite : Instrumentos Financieros  
Credits : 3

Code : **00983**  
Semester : 2018-2  
Cycle : IX

## II. Summary

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This course will provide student concepts and performance of the national and international financial markets, and the main instruments traded. The course will describe concepts of national and international financial markets, regulation, structure, organization, traded instruments. Mechanisms of trading and listing. Financial markets and global capital flows, contribution to economic growth.

## III. Course Objectives

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Give students the basics and the tools to analyze and understand financial markets. Besides, to allow them identifying concepts and values of finances related to international markets, developing strategies to manage of financial assets in different markets, which imply at least review and analysis of financial statements.

## IV. Learning Outcomes

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The student will be able to:

- Understand the importance of financial markets, its composition, structure and regulation.
- Learn the determinants of exchange rate and regulated and unregulated markets, considering MILA (Mercado Integrado Latino Americano by its acronym in Spanish).
- Understand and comprehend government participation in exchange rate and how the Central bank takes part through its monetary policy.
- Acquire knowledge about derivative markets as hedging instruments before exchange rate volatility.
- Learn the mechanism of stock market game of international market with the financial simulation Investopedia, among others.
- Value the importance of the alternative markets of investment as tools that -low diversify its glob- investment portfolio.
- Learn the mechanism of management of assets and liabilities to long term, as well as short term in order to understand the foreign direct investment and the alternatives of international financing.
- Use the tools of derivative markets such as coverage before Exchange rate volatility.
- Identify the alternatives of financial investment and global markets of stock and bonds.
- Use the tools of management of assets and liabilities to long term and short term to establish the level of foreign direct investment.
- Fab Lab application in international Markets

## V. Methodology

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Classes will be developed encouraging the combination of the practice with the theory, simulations of investment will be performed se with applications which -low to express everything learned in class.

Besides, team work will be applied to intensify learning and develop in the participant the skills needed to work successfully.

The participant must read the assigned material in each session which will complete everything learned in class and will be evaluated in the quizzes and final and mid-term exam. The student can do the necessary consultations to the teachers scheduled..

## VI. Assessment

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The evaluation system is continuous and integral. It contains the results of permanent assessment (40%), mid-term examination (30%) and final examination (30%).

Permanent assessment includes the following:

<b>PERMANENT ASSESSMENT AVERAGE (PAA) 40%</b>		
<b>Type of evaluation</b>	<b>Description</b>	<b>Weight %</b>
Quiz*	3 Quizzes None can be canceled	45%
Group Research Project**	4 Interim Updates + Final Presentation	20%
Individual Research Assignment**	Individual Research Paper	20%
Class Involvement	Cases, Participation, Attendance	15%

\* No grade is canceled.

\*\* The guidelines for both the Group and Individual Research Assignments will be handed out by the teacher at the start of the semester.

Final Average (FA) is calculated as follows:

$$\mathbf{FA = (0,30 \times ME) + (0,40 \times PAA) + (0,30 \times FE)}$$

**Where:**

FA = Final Average  
 ME = Mid-term Examination  
 PAA = Permanent assessment average  
 FE = Final Examination

## VII. Contents

WEEK	CONTENTS	ACTIVITIES / EVALUATION
<p>1°</p> <p>From August 20<sup>th</sup> to 25<sup>th</sup></p>	<p><b>1.- Overview of Financial Markets</b></p> <p><b>1.1.- Classification of Financial Markets</b></p> <p>1.1.1.- Primary Markets versus</p> <p>1.1.2.- Secondary Markets</p> <p>1.1.3.- Money Markets versus Capital Markets</p> <p>1.1.4.- Foreign Exchange Markets</p> <p>1.1.5.- Derivative Security Markets</p> <p><b>1.2.- Financial Market Regulation</b></p> <p><b>1.3.- The Role of Financial Markets</b></p> <p><b>1.4.- Globalization of Financial Markets</b></p> <p><b>1.5.- Financial Markets and the Real Economy</b></p> <hr/> <p>Fabozzi, F. J. (2015). Capital Markets: Institutions, Instruments and Risk Management. Chapter 1.</p>	
<p>2°</p> <p>From August 27<sup>th</sup> to September 1<sup>st</sup></p>	<p><b>2.- Determinants of Exchange rate</b></p> <p>2.1.- Measurement of exchange rate movements</p> <p>2.2.- Factors which affect the Exchange rate</p> <p>2.3.- Speculation on exchange rate</p> <p>2.4.- Currency markets and Forward calculation</p> <p>2.5.- Development of applied case</p> <p>2.6.- Forward calculation</p> <p>2.7.- NDF calculation</p> <p>2.8.- FIX</p> <hr/> <p>Madura, J. (2008) International Financial Management, Chapter 4.</p>	
<p>3°</p> <p>From September 3<sup>rd</sup> to 8<sup>th</sup></p>	<p><b>3.- Foreign Exchange (FOREX) Market</b></p> <p>3.1.- Foreign Exchange Markets and Risk</p> <p>3.2.- Background and History of FOREX</p> <p>3.3.- Foreign Exchange Rates and Transactions (Participants, Purchase and Sale processes)</p> <p>3.4.- Investment strategies in Forex</p> <p>3.5.- MILA market and portfolio.</p> <hr/> <p>Saunders, A. &amp; Millon, M (2012). Financial Markets and Institutions. Chapter 9.</p>	<p>Quiz 01</p>
<p>4°</p> <p>From September 10<sup>th</sup> to 15<sup>th</sup></p>	<p><b>3.- Technical Analysis in FOREX market and Investopedia</b></p> <p>3.6.- Line and graph bars</p> <p>3.7.- Candlestick Analysis</p> <p>3.8.- Patterns of continuity as triangles, Wedges, flags, pennants</p> <p>3.9.- Indicator: MACD (Moving Average Convergence / Divergence)</p> <p>3.10.- Indicator: Pivot points &amp; Bollinger bands</p> <hr/> <p>Reuters: <a href="https://www.reuters.com">https://www.reuters.com</a></p> <p>Yahoo! Finance: <a href="https://finance.yahoo.com">https://finance.yahoo.com</a></p> <p>Investing.com: <a href="https://www.investing.com">https://www.investing.com</a></p>	
<p>5°</p> <p>From September 17<sup>th</sup> to 22<sup>nd</sup></p>	<p><b>4.- Government influence on Exchange Rates and Arbitrage</b></p> <p>4.1.- Exchange Rate Systems</p> <p>4.2.- European Unique Currency, EURO</p> <p>4.3.- Government intervention</p> <p>4.4.- International arbitrage</p>	

	<p>4.5.-Interaction of Interest Rates, Inflation and Exchange Rates: IRP, PPP, EFI</p> <hr/> <p>Madura, J. (2008) International Financial Management, Chapters 8 &amp; 9.</p>	
<p><b>6°</b></p> <p>From September 24<sup>th</sup> to 29<sup>th</sup></p>	<p><b>5.- Banking Industry, Central Banks and Monetary Policy</b></p> <p>5.1. Structure of the Banking System</p> <p>5.2.- The Federal Reserve System</p> <p>5.3.- The Monetary Supply process :</p> <p>5.3.- Peruvian's Central Bank: Structure and</p> <p>5.3.- Peruvian's Central Bank: TOSE, reserve rate (encaje).</p> <p>5.3.- Determinants of monetary supply: control y</p> <hr/> <p>Mishkin, F. (2013). Economics of Money, Banking and Financial Markets. (10 Ed.). Chapters 12, 13 &amp; 14.</p>	<p>Quiz 02</p>
<p><b>7°</b></p> <p>From October 1<sup>st</sup> to 6<sup>th</sup></p>	<p><b>5.- Central bank and monetary policy.</b></p> <p>5.4.- Tools of monetary policy</p> <p>5.5.- Objectives of monetary policy</p> <p>5.6.- Impact of monetary policy in the FOREX market</p> <hr/> <p>Mishkin, F. (2013). Economics of Money, Banking and Financial Markets. (10 Ed.). Chapters 15 &amp; 16.</p>	
<p><b>8°</b></p> <p>From October 8<sup>th</sup> to 13<sup>th</sup></p>	<p><b>MID-TERM EXAMINATION</b></p>	
<p><b>9°</b></p> <p>From October 15<sup>th</sup> to 20<sup>th</sup></p>	<p><b>6.- Derivative Markets I: Linear Payoff Derivatives</b></p> <p>6.1. Classification of Derivatives</p> <p>6.2.- Futures Contracts</p> <p>6.3.- Forward Contracts</p> <p>6.4.- Swaps</p> <p>6.5.- Applications</p> <p>6.6.- Pricing of Futures and Forward Contracts</p> <p>6.7.- General Principles of Hedging with Futures</p> <p>6.8.- The Role of Linear Payoff Derivatives in Financial Markets</p> <hr/> <p>Fabozzi, F. J. (2015). Capital Markets: Institutions, Instruments and Risk Management. Chapter 9.</p>	
<p><b>10°</b></p> <p>From October 22<sup>nd</sup> to 27<sup>th</sup></p>	<p><b>7.- Derivative Markets II: Nonlinear Payoff Derivatives</b></p> <p>7.1.- Options</p> <p>7.2.- Exotic Options</p> <p>7.3.- Caps and Floors</p> <p>7.4.- Credit Default Swaps</p> <p>7.5.- Pricing of Options</p> <p>7.6.-Economic Role of Nonlinear Payoff Derivatives</p> <hr/> <p>Fabozzi, F. J. (2015). Capital Markets: Institutions, Instruments and Risk Management. Chapter 9.</p>	

<p><b>11°</b></p> <p>From October 29<sup>th</sup> to November 03<sup>rd</sup></p>	<p><b>8.- International Investment and rating agencies.</b></p> <p>8.1.- Global Stock and Bond Markets, MILA  8.2.- Risk factors in international investment  8.3.- Risk, profitability and diversification  8.4.- Foreign Assets Portfolio Construction</p> <hr/> <p>Bodie, Z. Kane, A. &amp; Marcus, A. (2005). Essentials of Investments. Chapter 21.</p>	
<p><b>12°</b></p> <p>From November 05<sup>th</sup> to 10<sup>th</sup></p>	<p><b>9.- Alternative investment markets</b></p> <p>9.1.- Hedge funds: features, strategies of investment, arbitrage  9.2.- Venture capital: steps of investments, Features of investment  9.3.- Investment in re- state  9.4.- Investment in Exchange Traded Funds  9.5.- Investment in Commodities</p> <hr/> <p>Martin Mato, M. A. (2009). Mercado de Capitales. Chapter 20.</p>	
<p><b>13°</b></p> <p>From November 12<sup>th</sup> to 17<sup>th</sup></p>	<p><b>10.- Management of assets and liabilities to long term</b></p> <p>10.1.- Foreign Direct Investment  10.2.- International capital budgeting  10.3.- International acquisitions</p> <hr/> <p>Madura, J. (2008) International Financial Management, Chapter 15</p>	<p>Quiz 03</p>
<p><b>14°</b></p> <p>From November 19<sup>th</sup> to 24<sup>th</sup></p>	<p><b>11.- Management of assets and liabilities to short term. Export and import market</b></p> <p>11.1.- International traifinancing  11.2.- Commercial financing methods  11.3.- Short term financing</p> <hr/> <p>Madura, J. (2008) International Financial Management, Chapters 19 &amp; 20</p>	<p>Individual Research Paper</p>
<p><b>15°</b></p> <p>From November 26<sup>th</sup> to December 1<sup>st</sup></p>	<p>Presentation of the Group Research Project</p>	<p>Presentation of the Group Research Project</p>
<p><b>16°</b></p> <p>From December 03<sup>rd</sup> to 08<sup>th</sup></p>	<p><b>FINAL EXAMINATION</b></p>	

## VIII. Bibliographic References

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### Basic Bibliography

Madura, J. (2008) **International Financial Management** (9th Ed.) Cengage Learning.

### Supplementary Bibliography

Bodie, Z. Kane, A. & Marcus, A. (2005). **Essentials of Investments** (5<sup>th</sup> Ed). Mc Graw Hill/Irwin

Fabozzi, F. J. (2015). **Capital Markets: Institutions, Instruments and Risk Management** (5<sup>th</sup> Ed). The MIT Press: London.

Mishkin, F. (2013). **Economics of Money, Banking and Financial Markets.** (10 Ed.). Pearson Education.

Saunders, A. & Millon, M (2012). **Financial Markets and Institutions** (5<sup>th</sup> Ed). Mc Graw Hill/Irwin

### Webs to review

[www.reuters.com](http://www.reuters.com)  
[www.bloomberg.com](http://www.bloomberg.com)  
[www.bcrp.gob.pe](http://www.bcrp.gob.pe)  
[www.investopedia.com](http://www.investopedia.com)  
[www.yahoofinance.com](http://www.yahoofinance.com)  
[www.bvl.com.pe](http://www.bvl.com.pe)

## IX. Lecturer

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