

**Syllabus**  
**Economics 340**  
**Financial Markets and Institutions**

Summer Session II, 2004  
MTWRF 9:00-10:15am, Watanabe Hall 112

**Instructor:** Somchai Amornthum  
**Office:** Saunders Hall 537  
**Office hours:** MWF 10:30-11:30am  
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**Course Website:** <http://www2.hawaii.edu/~amornthu/econ340/>

**Course Description:**

Financial markets and institutions channel trillions of dollars through the economy, affecting business and consumer decisions and the economic well being of foreign countries. The purpose of this course is to guide students in developing critical thinking skills as applied to financial markets and institutions. Topics include the determination of asset prices; the risk and term structure of interest rates; the efficient markets hypothesis; risk management and financial derivatives, asymmetric information models of financial market structure, innovation; and regulation and deregulation.

**Prerequisites:**

Econ120, Econ130 or Econ131

**Required Text:**

Mishkin, Frederic and Stanley G. Eakins, *Financial Markets & Institutions*, 4th edition, Addison Wesley, 2003.

**Suggested (not required) Readings:**

Mishkin, Frederic. *Economics of Money, Banking, and Financial Markets*, 7th edition, Pearson Addison Wesley, 2003  
Malkiel, Burton G. *A Random Walk Down Wall Street*, W.W. Norton & Co, 2003.

**Course Grade and Policies:**

Grades will be determined by your performance on two exams, several problem sets and unannounced quizzes. Weighting of course grade is as the following.

Pop Quizzes	15%
Assignments	15%
Midterm Exam	30%
Final Exam	40%

The unannounced quizzes will be given in class during the semester. These quizzes are designed to reward those who regularly attend class and do their work. Therefore, no make-up quiz will be given under any circumstance. Any missed quiz will be given a grade of zero. Four assignments will be given out on Fridays (except the Friday before the Midterm) and will be due the following Tuesday. They are meant as a guideline on how to prepare for the exams. Students are encouraged to form a group study but are expected to submit the answers separately. Any assignment submitted after the start of class on its due date is considered late. Late assignments will be penalized 50% for each day they are late. If you know that you cannot be in class on the due date, try to submit the day before. Make-up exams will be given for official excuses only. If you have problem with the Midterm date, please come to see me within the first week of the course. Final grades for the course will make use of the +/- grading option.

Students who may need special consideration because of any sort of disability should make an appointment with me immediately.

I will make extensive use of the internet to distribute course materials. Although I will attempt to notify you when major changes have been made to the website, it is your responsibility to check the course website on a regular basis.

**Tentative Schedule:**

<b>Week</b>	<b>Chapter</b>
Wk. 1 (Jul. 6-9)	<i>Part I: Introduction &amp; Fundamentals of Interest Rates</i> Ch. 1: Why Study Financial Markets and Institutions? Ch. 2: Overview of the Financial System Ch. 3: Understanding Interest Rates
Wk. 2 (Jul. 12-16)	Ch. 4: The Behavior of Interest Rates Ch. 5: The Risk and Term Structure of Interest Rates <i>Part II: Financial Markets</i> Ch. 8: The Money Markets
Wk. 3 (Jul. 19-23)	Ch. 9: The Capital Markets Ch.10: The Stock Market and the Efficient Market Hypothesis
<b>JUL. 26 (Mon.)</b>	<b>MIDTERM (Ch.1-5, 8-10)</b>
Wk. 4 (Jul. 26-30)	Ch. 12: The Foreign Exchange Market <i>Part III: Central Banking and Conduct of Monetary Policy</i> Ch. 6: Structure of Central Banks & the Federal Reserve System
Wk. 5 (Aug. 2-6)	Ch. 7: Conduct of Monetary Policy: Tools, Goals, and Targets <i>Part IV: Financial Institutions</i> Ch. 14: Theory of Financial Structure Ch. 15: The Banking Firm & Bank Management
Wk. 6 (Aug. 9-12)	Ch. 19: Insurance Companies and Pension Funds Ch. 21: Investment Banks, Brokerage Firms and Mutual Funds Ch. 22: Risk Management in Financial Institutions
<b>AUG. 13 (Fri.)</b>	<b>FINAL EXAMINATION (everything)</b>

Lecture notes and up-to-date schedule are available online. Please be sure that you print out notes for the following week in case that I finish materials sooner than expected (although it rarely happens).