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Spring 2-1-2004

### FIN 424.01: Markets and Institutions

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#### Recommended Citation

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**University of Montana**  
**Finance 424: Markets and Institutions**  
**Spring 2004 Syllabus & Course Outline**

**Professor:** Dr. Timothy A. Manuel

**Title:** Financial Markets and Institutions

**Class:** Section 1: 9:40-11:00 TTh, GBB L04

Section 2: 11:10-12:30 TTh, GBB L04

**Office:** GBB 305

**Office Hours:** 1:00-2:00 & 3:30-4:30 on TTh, or by appointment. Times available by appointment: 10:00-12:00 MW, 1:00-3:00 MW, Come by during office hours at any time, but outside of office hours please try to schedule appointments at least one day in advance.

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**Required Material:**

1. Financial Markets & Institutions: A Modern Perspective, Anthony Saunders and Marcia Cornett. McGraw-Hill Irwin, 2001 or latest. Students are expected to have read the assigned materials PRIOR to class.
2. Notes that are available on Sentinel in the Fin424 folder and on Blackboard. Notes should be obtained by the student prior to class. I recommend that you print the notes, 3 hole punch them and interleave blank sheets of paper with them. The notes are also available from my web page (see above). The username and password are both "finance" (all lower case).
3. You must sign up for Blackboard for this class.

**Course Objective:**

This course provides an integrated introduction to the capital markets and portfolio theory as applied to financial institutions. Major emphasis will be placed on understanding how institutions analyze and manage risk in today's financial markets. The course will provide a background for further study in the areas of macroeconomic policy and financial institution management in a domestic and a global environment.

**Prerequisites:**

At a minimum, all students must have successfully completed Fin 322 and must have achieved junior, senior or graduate standing. The specific prerequisites are listed in the catalog. If you do not have the prerequisites you will receive a final grade of F, regardless of your test scores. All students MUST show me a transcript or other official record showing you have previously completed Fin 322 by the end of February.

**Grading:**

There will be up to three tests, none of which are cumulative except for basic concepts. Grades will be assigned as follows:

Test I, II and III (time permitting)	90% (equal weighted)
Class Participation	10%

Class attendance is required. If you have more than four unexcused absences I will drop your final grade by one letter. When you don't attend class, you miss out and others miss out on your contributions, regardless of your other scores. Moreover, each succeeding three absences will result in a drop of one additional letter grade. Work, transportation and vacation will not normally result in an excused absence. Documented emergency situations will normally be excused, but they must be cleared as soon as possible. Don't use up your absences on frivolous reasons! I may count leaving class early without permission or not having the assigned notes with you as an unexcused absence.

If you absolutely must miss an exam, you must notify me prior to the exam and provide a written justification for your absence. In the event of an excused absence, either the remaining tests will be weighted more heavily, or you will take a make-up exam. Make-ups are generally more difficult since the obvious questions are used on the original. Make-ups may be oral. No student may miss more than one exam and pass the course; all students must take Test III. Any work turned in late will either be not accepted or subject to a 10 point a day penalty at my option. Class participation is generally left up to the student, but is encouraged and expected from all students in order to receive the full 10%. Class participation consists of not only coming to class but asking and answering questions and contributing constructive (not disruptive) comments.

Each student is expected to do his/her own work. Cheating or copying will result in a grade of zero for that assignment. There are no exceptions to this rule. Each student is expected to be familiar with and adhere to the student conduct code. You may use a cheat sheet, 1 page, 8 ½ x 11, both sides on all tests.

**Highly Tentative Course Outline Spring 2004**

**Assignments and Dates Are Subject to Changes Announced in Class**

- Jan 27 Syllabus, LRQ, obtain File 1 from Sentinel.  
29 Ch 1 Introduction, Notes: File 1
- Feb 3 continued  
5 Ch. 1 continued, Ch. 2 Determinants of Interest Rates (Notes: File 2 from Sentinel or Blackboard)  
10 continued  
12 Ch. 2 continued, and begin Ch. 3 Interest Rates and Security Valuation (Notes: File 3)  
17 continued  
19 continued  
24 continued  
26 Term Structure Part 1, Ch 2 (Notes: File 4)
- Mar 2 Test 1 (Chapters 1-3)**  
4 continued File 4 and Term Structure Part 2, (Notes: File 5), Read Ch 20 and begin Ch 23  
9 continued File 4, go over Test 1  
11 continued File 4, Begin RS Gap Notes (Notes: RSGAP ABC file) Ch. 23 in text  
16 continued, RS Gap Notes (RSgapABC),  
18 continued, Duration Gap Model (Notes Part 2: Duration Gap Notes) Ch. 23 cont.  
23 continued Duration Gap  
25 Video: Trillion \$ Bet, Video questions  
**30 Spring Break**
- Apr 1 Spring Break**  
6 Finish Duration Gap, VAR Presentation, Begin Swaps (Test 3) (Notes Part 2, Swaps) Ch 24  
8 Swaps cont. (Notes: Swaps file, Text: Ch 24)  
**13 Test 2 (Chapters 2, 20 & 23)**  
15 Swaps continued, go over Test 2 if graded  
20 Swaps continued if needed, Begin Futures, (Notes: Futures Short, Text: Ch 10 ((Background) and Ch 24)  
22 Futures Part 1 continued  
27 Futures Part 2 (Hedging examples); Mortgages, Ch 7 and part of Ch 25 on mortgage securitization, Notes: Mortgages  
29 Mortgages continued
- May 4 Mortgages continued  
6 Open  
**11 Section 1 Test 3 on Tuesday from 8:00 am to 10:00 am in L04**  
**13 Section 2 Test 3 on Thursday from 8:00 am to 10:00 am in L04**

You MUST attend the section in which you are registered on all test days, or you will receive a grade of zero for that test. Material may be added or deleted as time permits and test dates may be changed. Changes will be announced in class, it is up to **YOU** to come to class on time to get any/all deadline changes.

Other important dates:

Feb 26: Last day to have prerequisites cleared by your professor

Apr 19: Fall 2003 advising begins

May 7: Last day to drop