BFIN 424.01: Financial Markets

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University of Montana
BFIN 424: Markets and Institutions and Financial Engineering, 3 credits
Spring 2024 Syllabus & Course Outline

Professor: Dr. Timothy A. Manuel
Title: Markets and Institutions and Financial Engineering
Class: Section 01: TTh 12:30-1:50; Room: GBB 123, CRN: 30080
Office: GBB 329

Zoom Office Hours: TTh, 2:30-3:45 TTh or by appointment. Office hours can be face to face or via Zoom. Times available by appointment: 11:00 a.m.-2:30 p.m. MW. Meetings outside of office hours will likely be over Zoom. Please contact me at least one day in advance for meetings outside of regular office hours. The Zoom ID# is 809-342-1424 with passcode 052732.

Phone: Office 243-2511 Email: tim.manuel@business.umt.edu
Web Page: http:\www.business.umt.edu\faculty\manuel\manuel.htm

Required Material:
1. Financial Institutions, Markets, and Money, e-book, 12th Edition or latest, by Kidwell, Blackwell, Whidbee and Sias. Students are expected to have read the assigned materials PRIOR to class. This term we are using the e-book.
2. Course notes available on Moodle. Please have the notes available for class each day.
3. I will use Moodle to post assignments, grades and messages to the class; please familiarize yourself with the Moodle content and ensure that your email address on Moodle is correct. If you use email to contact me concerning class you must use a UM email account. I cannot respond to non-UM email accounts for course related questions.
4. A Texas Instrument (TI) business calculator is required. Calculators remain an invaluable tool for many finance professionals including bankers.
5. Zoom software is required. See Moodle for a tutorial on obtaining your free UM Zoom software. You will need the meeting ID # to attend Zoom class sessions. The Zoom meeting ID# and passcode will be provided if/when needed.

Course Objectives:
This course provides an integrated introduction to the capital markets, the global economic system and risk management as applied to financial institutions. After discussing the economy and how the Federal Reserve operates, major emphasis will be placed on understanding how institutions analyze and manage risk in today's financial markets. Students will also learn about futures, swaps and mortgage derivatives. The course will provide a background for further study in the areas of the state of the economy and financial institution management in a domestic and a global environment.

Prerequisites:
At a minimum, all students must have successfully completed BFIN 322 with a grade of C or better, completed either BFIN 429 or BFIN 439 with a grade of C- or better and have achieved, 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. The advising office now provides faculty with a list of students who do not meet the prerequisites. Unless you have a pressing reason to take this course in your junior year, we highly recommend students not take this course until their senior spring semester.

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

Average of Test I, II and III 75%
Mini case write-ups 15%
Class Participation 10%

We will be using the +/- grade method.

Feel free to come see me for assistance on coursework and assignments. If office hours do not work then we can schedule another time. It is very helpful if you can come with specific questions about problems or concepts.

Class attendance is required. I will take attendance at random intervals throughout the semester. The attendance record
will determine the curve you receive for the next test. As an example, if you are present on 50% of the days when attendance is taken, you will receive 50% of the curve. Your attendance and participation are essential to an understanding of the course material. **Students who do not attend my class on a regular basis generally earn much lower grades.** 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, *not having the assigned notes with you, not having your Zoom camera turned on,* or *otherwise being unprepared as an unexcused absence.*

**Makeup Policy:**

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 prepared with the appropriate notes but also **asking and answering questions** and contributing **constructive (not disruptive) comments.** A career in finance is a professional career. As such students are expected to act professionally in all of their courses and in their contact with faculty members. Please limit cell phone usage in class and do not use a laptop for non-class purposes. Students are expected to arrive on time and remain for the entire class unless you have made other arrangements with the instructor. Disruptive behavior will not be tolerated.

**Graduate credit:** Students taking this course for graduate credit must complete an additional assignment designed in consultation with the instructor. The specific assignment will vary with current events in the financial markets but will typically include an additional paper and class presentation.

> *You may use a one page (both sides) 8½ x 11 cheat sheet and a calculator (no laptops, cell phones or handhelds) on all tests, but you may not assist or receive assistance from other students. No unauthorized cameras, phones or audio/video equipment may be used during class or on tests. Any violation during a test will result in a grade of zero on that assignment.*

Academic Honesty: Each student is expected to do his/her own work on all assignments. Cheating or copying will result in a grade of zero for that assignment. There are no exceptions to this rule. All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students should be familiar with and adhere to the Student Conduct Code. The Code is available for review online at [http://www.umt.edu/student-affairs/dean-of-students/Student%20Conduct%20Code%20-%20FINAL%20-%208-24-18.pdf](http://www.umt.edu/student-affairs/dean-of-students/Student%20Conduct%20Code%20-%20FINAL%20-%208-24-18.pdf).

**COVID-19 Policies**

You must adhere to all University COVID-19 protocols, including wearing masks in class and when attending office hours if the University requires that. If you have a COVID-related illness please contact me as soon as possible and adhere to University quarantine procedures. Please adhere to these policies.
Students with Disabilities: The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and Disability Services for Students (DSS). If you think you may have a disability adversely affecting your academic performance, and you have not already registered with DSS, please contact DSS in Lommasson 154. I will work with you and DSS to provide an appropriate accommodation.

Residency Requirement: Students are required to take BFIN 424 from UM-Missoula. Please note that this course is only offered once per year. A grade of C- or better is required.

Policy on Incompletes follows the UM catalog: “The incomplete is not an option to be exercised at the discretion of a student. In all cases it is given at the discretion of the instructor within the following guidelines. A mark of incomplete may be assigned students when (a) they have been in attendance and doing passing work up to three weeks before the end of the semester, and (2) for reasons beyond their control and which are acceptable to the instructor, they have been unable to complete the requirements of the course on time. Negligence and indifference are not acceptable reasons.”

Transcendent: We commit to rise above self-interest and work for a vision greater than ourselves.

Hardworking: We are known for our Montana work ethic. Nothing valuable in life can be achieved without hard work and dedication.

Resourceful: We will respond and successfully adapt to a changing environment. We see opportunities in new challenges and are confident we can succeed.

Initiative: We make things happen in our lives, we don’t just let things happen. We are the next generation of business leaders who will bring about a better future.

Virtuous: We are committed to upholding moral and ethical principles even when there is a personal cost. We will be people of integrity. We will act with honor in all that we do, always bringing credit to ourselves and the University of Montana.

Excel: We are trained to exceed expectations and overcome all challenges so that we will have every opportunity to succeed in our chosen field.
Highly Tentative Course Outline Spring 2024
Assignments and Dates Are Subject to Changes Announced in Class

| Jan | 18 Th | Syllabus, LRQ (Handout if covered), Begin Chapter 1 |
|     | 23 T  | Ch. 1 Introduction to the Economy & the Financial System |
|     | 25 Th  | continued |
|     | 30 T  | Ch. 1 continued, Ch. 2, Ch. 3, & Ch. 4, background, Ch. 12 (International, if you need that) |
|     | 1 Th  | Ch. 2, 3 & 4 continued (Case 1) |
| Feb | 6 T   | Continued |
|     | 8 Th  | Continued |
|     | 13 T  | Bonds Chapter 5 and 8 (Case 2) |
|     | 15 Th  | Continued |
|     | 20 T  | Continued |
|     | 22 T  | Continued |
|     | 27 T  | Continued |
|     | 29 Th  | Continued (end Test 1 material) |
| Mar | 5 T   | Test 1 (Notes, Chapters 1-4, 5 & 8) (Test may be moved up if time permits) |
|     | 7 Th  | Term Structure Part 1, Ch. 6 |
|     | 12 T  | Term Structure Part 1 and Begin Term Structure Part II, Ch. 20 |
|     | 14 Th  | Term Structure Part II |
|     | 19 T  | Spring Break No Class |
|     | 21 Th  | Spring Break No Class |
|     | 26 T  | Begin RS Gap Notes (Notes: RSGAP ABC) Ch. 20 |
|     | 28 Th  | RS Gap continued, begin Duration Gap Model (Duration Gap Notes and Ch. 20) |
|     | 2 T   | Continued Duration Gap |
| Apr | 4 Th  | Continued, Duration Gap |
|     | 9 T   | Finish Duration Gap, VAR, (end Test 2 material) & Begin Swaps (Test 3) (Notes Swaps) Ch. 11 |
|     | 11 Th  | Swaps cont. (Notes: Swaps, Text: Ch. 11) |
|     | 16 T  | Test 2 (Notes, Chapters 6 & 20) (Tentative date) |
|     | 18 Th  | Swaps continued |
|     | 23 T  | Swaps continued if needed, Begin Futures, (Notes: Futures Short, Text: Ch. 11 and Ch. 20) |
|     | 25 Th  | Futures Part 1 continued |
|     | 30 T  | Futures Part 2 (Hedging examples); |
| May | 2 Th  | Mortgages, Ch. 9, Notes: Mortgages |

**Test 3 during finals week, see below for date and time**

| May | TBD |

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. I recommend you check your UM email account and Moodle prior to each class.
Mission Statements and Assurance of Learning

The College of Business at the University of Montana creates transformative, integrated, and student-centric learning experiences, propelling our students to make immediate and sustained impact on business and society. We nurture our students’ innate work ethic to develop confident problem solvers and ethical decision makers. We pursue thought leadership and collectively create opportunities for a better life for our students, faculty, and staff.

COB Core Values:

- Students first: We educate the whole person
- Experiential learning: We create experiences that matter
- Thought leadership: WE create rigorous and relevant knowledge
- Stewardship: We value people, planet and profit

Learning Goals: As part of our assessment process and assurance-of-learning standards, the COB has adopted the following learning goals for our undergraduate students:

Learning Goal 1: COB graduates will possess fundamental business knowledge in the core disciplines of Accounting, Finance, Management Information Systems, Management and Marketing.

Learning Goal 2: COB graduates will be able to integrate business knowledge.

Learning Goal 3: COB graduates will be effective communicators.

Learning Goal 4: COB graduates will possess problem-solving skills.

FINANCE LEARNING GOALS
1. Finance majors will possess fundamental finance knowledge necessary for employment in a professional finance position, including operating in global financial markets.
2. Finance majors will possess problem solving and critical thinking skills as applied to financial problem solving.
3. Finance majors will demonstrate the use of technological skills appropriate to a finance career.
4. Finance majors will demonstrate communication skills.
5. Financial majors will have an ethical awareness and demonstrate ethical decision making.