

Spring 2-1-2018

BFIN 424.01: Financial Markets and Institutions and Engineering

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University of Montana
BFIN 424: Markets and Institutions and Financial Engineering, 3 credits
Spring 2018 Syllabus & Course Outline

Professor: Dr. Timothy A. Manuel

Title: Markets and Institutions and Financial Engineering

Class: Section 1: 11:00 - 12:20 TTh, GBB L14, CRN: 34260

Section 2: 12:30 - 1:50 TTh, GBB L14, CRN: 34294

Office: GBB 329

Office Hours: 10:00-10:50 a.m. TTh, 2:00-2:50 TTh or by appointment. *Times available by appointment: 11:00 a.m.-2:30 p.m. 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.

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, Custom Book, 12th Edition, by Kidwell, Blackwell, Whidbee and Sias. Students are expected to have read the assigned materials PRIOR to class. The custom book available in the book store is substantially cheaper than the full version.
2. Course pack available at the bookstore with abbreviated notes. Please bring the course pack to 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.

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:

Test I, II and III **90% (equal weighted)**

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, 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 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/SA/VPSA/indec.cfm/page/1321>.

SoBA ethics page:

<http://www.business.umt.edu/soba/SoBAEthics.aspx>



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.

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.”

Highly Tentative Course Outline Spring 2018

Assignments and Dates Are Subject to Changes Announced in Class

Jan	23	T	Syllabus, LRQ (Handout if covered), Begin Chapter 1
	25	Th	Ch. 1 Introduction to the Economy & the Financial System
	30	T	continued
Feb	1	Th	Ch. 1 continued, Ch. 2, Ch. 3, & Ch. 4, background, Ch. 12 (International, if you need that)
	6	T	continued
	8	Th	Ch. 2, 3 & 4 continued, and begin Ch. 5 & 8 Bonds and Security Valuation
	13	T	continued
	15	Th	continued
	20	T	continued
	22	Th	Continued (end Test 1 material)
	27	T	Term Structure Part 1, Ch. 6 (Test 2 material)
Mar	1	Th	continued Term Structure Part 1 and Term Structure Part 2, Ch. 20
	6	T	Test 1 (Notes, Chapters 1-4, 5 & 8) (Test may be moved up if time permits)
	8	Th	continued, go over Test 1
	13	T	continued, Begin RS Gap Notes (Notes: RSGAP ABC) Ch. 20
	15	Th	continued, RS Gap Notes (RSgap ABC)
	20	T	RS Gap continued, Duration Gap Model (Notes Part 2: Duration Gap Notes) Ch. 20 cont.
	22	Th	Video: Trillion \$ Bet or other video, Video Questions (Time permitting)
	27	T	Spring Break: No Class
	29	Th	Spring Break: No Class
Apr	3	T	continued, Duration Gap Model
	5	Th	Finish Duration Gap, VAR, (end Test 2 material) & Begin Swaps (Test 3) (Notes Swaps) Ch. 11
	10	T	Swaps cont. (Notes: Swaps, Text: Ch. 11)
	12	Th	Test 2 (Notes, Chapters 6 & 20) (Tentative date)
	17	T	Swaps continued, go over Test 2 if graded
	19	Th	Swaps continued if needed, Begin Futures, (Notes: Futures Short, Text: Ch. 11 and Ch. 20)
	24	T	Futures Part 1 continued
	26	Th	Futures Part 2 (Hedging examples); Begin Mortgages, Ch. 9, Notes: Mortgages
May	1	T	Mortgages continued
	3	Th	Mortgages continued (Last day of instruction for TTh classes)
			Test 3 during finals week, see below for date and time
May	10	Th	Section 1 Test 3 on Thursday May 10 from 8:00 a.m. to 10:00 a.m., in Gallagher L14
	11	Fr	Section 2 Test 3 on Friday May 11 from 8:00 a.m. to 10:00 a.m., in Gallagher L14

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. I recommend you check your UM email account prior to each class.

SCHOOL OF BUSINESS ADMINISTRATION MISSION STATEMENT

The University of Montana's School of Business Administration is a collegial learning community dedicated to the teaching, exploration, and application of the knowledge and skills necessary to succeed in a competitive marketplace.

SHARED CORE VALUES

- Student-centered, participative, interactive, collegial learning environment
- Teamwork within the School and responsive collaboration with stakeholders
- Life-long learning and professional development
- Excellence, with a focus on continuous improvement
- Innovation and openness to risk
- Maintenance of high-level professionalism
- Integrity in all we do
- Diverse perspectives
- Sustainability, responsiveness and flexibility for an ever changing world

**Assurance of Learning
School of Business Administration
University of Montana**

Learning Goal 1: SoBA graduates will possess fundamental business knowledge.

Objectives:

- Students will demonstrate fundamental business knowledge on a nationally normed test or a locally prepared test.
- Students will demonstrate fundamental business knowledge of business concepts while working in an internship.

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

Objectives:

- In a business plan and/or business simulation game, students will integrate concepts from several of the functional areas of business.

Learning Goal 3: SoBA graduates will be effective communicators.

Objectives:

- Students will demonstrate the ability to write effectively.
- Students will deliver professional quality oral presentations.
- Students will demonstrate writing skills in internships.

Learning Goal 4: SoBA graduates will possess problem solving skills.

Objectives:

- Students will use appropriate tools to identify the root cause of a business problem.
- Students will use brainstorming tools to identify relevant alternatives for solving a business problem.
- Students will effectively analyze alternatives using quantitative tools.
- Students will effectively analyze alternatives using qualitative tools.
- Students will use appropriate tools to select a solution from competing alternatives.
- Students will identify metrics that will indicate the success or failure of the implemented solution.
- Students will demonstrate problem solving skills in internships.

Learning Goal 5: SoBA graduates will have an ethical awareness.

Objectives:

- Students will demonstrate moral reasoning on a nationally normed test.
- In a case, students will recognize potential ethical dilemmas in a business situation.
- In a case, students will identify the consequences of different ethical perspectives when applied to an ethical dilemma in a business situation.
- Students will recognize potential ethical dilemmas in internship situations.

Learning Goal 6: SoBA graduates will be proficient users of technology.

Objectives:

- Students will understand the role of technology in creating business innovations and in obtaining competitive advantage.
- Students will make appropriate use of spreadsheets (formulas, tables, and graphs).
- Students will effectively use spreadsheets and other technology in an internship situation.
- Students will design and construct a web page.

Learning Goal 7: SoBA graduates will understand the global business environment in which they operate.

Objectives:

- Students will understand how globalization impacts U.S. economic conditions and workforce dynamics (e.g., employment opportunities, etc.)
- Students will understand how different operating and cultural conditions affect the general conduct of business in different areas of the world.
- Students will demonstrate global business knowledge on a nationally normed test.

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.