

MFIN 603
Financial Markets and Macroeconomy
Fall 2017 Course Outline

Finance Area
DeGroote School of Business
McMaster University

COURSE OBJECTIVE

A required course in the Master of Finance program that provides students with a foundation for understanding the causes and consequences of aggregate economic fluctuations and analysis of how these fluctuations interact with financial markets. Such understanding is important because the macroeconomic environment provides a backdrop that significantly impacts an individual and corporate financial decisions.

INSTRUCTOR AND CONTACT INFORMATION

Instructor: **Dr. Sultan M. Awan**
Office: DSB/313
Email: awan@mcmaster.ca
Office Hours: by appointment

Teaching Assistant
TBA

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	No	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experimental:	No	Final Exam:	Yes		

COURSE DESCRIPTION

This is an intermediate level macroeconomics course that studies the behavior of economic aggregates such as income, the unemployment rate, the rate of inflation, and the rate of economic growth. The course aims to focus on the basic analytical models and tools for understanding macroeconomic fundamentals, both in the short-run dimension (the business cycle) and in the long-run dimension (economic growth). The analysis includes the fundamental layout of these models and how these can be linked to actual policy making. The course also aims to corroborate the analytical framework with real-world applications to develop insight in interpreting current macroeconomic events and financial markets.

LEARNING OUTCOMES

Upon successful completion of this course, students are expected to be able to:

- Demonstrate an understanding of macroeconomic statistics such as GDP, the unemployment rate and the inflation rate.
- Explain the causes and consequences of short-run fluctuations in economic activity using different macroeconomic models.
- Describe the determinants of long-run economic growth, employment and inflation.
- Understand the interactions between financial markets and the macro economy.
- Understand how to use macroeconomic information to improve financial decisions.

REQUIRED COURSE MATERIALS AND READINGS

Macroeconomics, Plus NEW MyEconLab with Pearson eText -- Access Card Package, 1st Canadian Edition, by Glenn P. Hubbard, Anthony P. O'Brien, and Matthew P. Rafferty, and Jerzy Konieczny, 2016 Pearson Education Canada.

<http://catalogue.pearsoned.ca/educator/product/Macroeconomics-First-Canadian-Edition-Plus-NEW-MyEconLab-with-Pearson-eText-Access-Card-Package/9780134022826.page>

For course contents such as lecture notes, term assignments, chapter-end quantitative problem solution, other reference materials, and course related announcements, please visit course webpage on Avenue: <http://avenue.mcmaster.ca>

Course Readings

I intend to meet this challenge in two ways; first, by asking you to review the posted material before the class and two, by covering only selective topics. If you read the posted materials before class very well, we can concentrate more on those topics you find most difficult. The lectures will focus on theoretical models and tools, and the course book is a very nice complement to the lectures because it illustrates the theory with many examples and real world applications. However, class lectures will cover some material that may not be covered by the textbook. This additional material is required for the exams and also explains why attending classes on regular basis is so important in this course. EconLab online learning platform should also be a great tool to help you understand and practice the topics covered in the class.

OPTIONAL COURSE READINGS

Macroeconomics Policy and Practice, by Frederic S. Mishkin, Addison-Wesley, 2017.

Financial Risk Management: Applications in Market, Credit, Asset and Liability Management and Firmwide Risk, by Jimmy Skoglund, Wei Chen, Wiley Finance series 2015.

Friedman, B, M. (2012). *Monetary Policy, Fiscal Policy, and the Efficiency of Our Financial System: Lessons from the Financial Crisis*. International Journal of Central Banking, Vol.8 # S1.

EVALUATION

Learning in this course results primarily from lectures, in-class discussions, home readings, term assignment, and from EconLab activities. Students learning and progress in this course will be evaluated on group and individual basis.

Components and Weights

EconLab Quiz	Class & EconLab material (individual)	10%
Term Assignment	Chapter related problem sets (group)	10%
Midterm Exam	Material covered until Week 6	30%
Final Exam	Material covered until Week 13	50%
Total		100%

EconLab Quiz

EconLab provides online access to various learning tools designed for this course. The EconLab exercises, chapter related study plan, graphical tools, short-answer questions and practice quiz should be viewed as online learning projects. After every 1 ~ 2 lectures, multiple choice questions quiz on the covered topics will be assigned on the EconLab. You should be able to review your work with helpful hints before submitting your quiz online. No exceptions or alternate arrangements will be provided for any missed EconLab quiz.

Problem Set Assignments

One term assignment on chapter related topics consisting of descriptive, quantitative and graphical questions will be assigned during this term. You are encouraged to form a group of 2~3 students before you start work on your term assignment. Each group will be required to submit only one copy of the term assignment. The main focus of this evaluation activity is to help enhance your understanding of the material covered in the class and to provide you with practice material for the exams. Hence, midterm and final exam questions will be similar to the term assignment. Your work is expected to be clear, concise and must be printed on one side of the paper. You may find some problem sets challenging. Please do your best. Serious attempts to arrive at the correct answer will be rewarded. Late submission of term assignment will result in deductions of up to 10% of the total points.

Midterm and Final Exam

These exams are designed to test your in-depth understanding and application of key concepts, theoretical models covered in the textbook, and other related material discussed in the class.

Both exams will consist of multiple choice questions, numerical and graphical problems, and descriptive questions. Only selected topics will be included in the readings list for the midterm and the final exams. The Final Exam will be semi-cumulative, containing questions on all parts of the course, but with more emphasis on the material covered after the midterm exam. The final exam will be scheduled by the registrar office.

The use of McMaster standard calculator is allowed during examinations in this course.

PLEASE NOTE:

1. There will be NO make-up for any missed evaluation activity including the midterm and the final exams.
2. Where students miss a scheduled evaluation activity for legitimate reasons, the weight for that activity will be distributed across other evaluative components of the course at the discretion of the instructor.
3. If a student misses a lecture for any reason, it is student's responsibility to obtain class lecture notes and other relevant material from the classmates.
4. NO extra credit work will be offered for individual cases under any circumstance.

5. Marks for all pre-final exam evaluation activities will be posted on Avenue. Your final grade should come through official channels. Hence, marks for final exam will not be posted on Avenue.

Grade Conversion

At the end of the term, your overall percentage grade will be converted into letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT
A+	90 - 100
A	85 - 89
A-	80 - 84
B+	75 - 79
B	70 - 74
B-	60 - 69
F	00 - 59

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

www.degroote.mcmaster.ca

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Late assignments will not be accepted. No extensions are available except under extraordinary circumstances. Please discuss any extenuating situation with your instructor at the earliest possible opportunity.

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances.

If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF THE COURSE POLICIES

Your registration and continuous participation, e.g. on Avenue to Learn (A2L), in the classroom, etc. to the various learning activities of MFIN603 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies cannot be invoked at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

ACKNOWLEDGEMENT OF THE COURSE ON-LINE ELEMENT

In this course we will be using MyEconLab, an online learning tool designed by course textbook publisher to assist and test students learning in the Economics part of this course. Students should be aware that when they access the on-line components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

Course Schedule Fall 2017

Below is a **tentative** list of course contents. As we progress in the course, contents of some of the topics may be modified, if required.

DATE	TOPICS	CONTENTS
Week 1	Syllabus Review, Introduction, Financial System and Economic Growth	Financial Markets and Macroeconomy, Information Challenges, Financial Development and Economic Growth
Week 2	Financial Crises and Economic Fluctuations in the Short Run	Dynamics of Financial Crisis, Economic Fluctuations, Money Market, Risk and Term Structure of Interest Rates
Week 3	Money and Inflation	Central Bank and Money Supply, Quantity Theory of Money and Inflation, Growth Rate of Money, Inflation, and Nominal Interest Rate
Week 4	Aggregate Production and Standard of Living	Aggregate Production Function, Long Run Model of RGDP, Total Factor Productivity, Productivity Growth Across Countries
Week 5	Long Run Economic Growth-I	Solow Growth, Balanced Growth, Endogenous Growth, and Two Sector Growth Model
Week 6	Long Run Economic Growth-II	Solow Growth, Balanced Growth, Endogenous Growth, and Two Sector Growth Model
Week 7	Midterm Exam	<u>October 25, 2017</u> (Topics covered till week 6)

Week 8	Business Cycles	Economic Fluctuations in the Short Run, Macroeconomic Variables and Business Cycle, A Simple Model of Business Cycle
Week 9	<i>IS-MP: A Short Run Macroeconomic Model</i>	Real Interest Rates and Aggregate Expenditure, Central Bank's Target Interest Rate and Output, Equilibrium in the IS-MP Model
Week 10	Inflation and Open Economy	IS-MP Model and the Phillips Curve, IS-MP Model in an Open Economy,
Week 11	Monetary Policy in the Short Run	Monetary Policy and Central Bank, Monetary Policy and the IS-MP Model, Monetary Policy in an Open Economy
Week 12	Fiscal Policy in the Short Run	Budget Deficits, Discretionary Fiscal Policy, and Automatic Stabilizers, Short-Run Effects of Fiscal Policy, Fiscal Policy in an Open Economy
Week 13	<i>Term Assignment due</i> Aggregate Demand, Aggregate Supply, and Monetary Policy	AD-AS Model, AD, AS, and Phillips Curve, Monetary Policy: Rules Versus Discretion
Dec. 12-21	Final Exam – Scheduled by Registrar Office	Semi cumulative-Details on A2L

Note: The reading list for each class will be provided in the lecture notes.

*****End of MFIN 603 Outline*****