

## MFIN 602

# Economics of Financial Decisions and Financial Markets Course Outline

DeGroote School of Business  
McMaster University

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### *COURSE OBJECTIVE*

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This course is an introduction to financial economics with a special focus on the interaction of economic fundamentals and financial markets. The main objective is to provide an understanding of microeconomic and macroeconomic factors that influence financial risk and return. The students will have an opportunity to cover a set of key topics in economic analysis that finance professionals commonly use. In addition, students will gain perspectives on the current global financial markets and their interactions with contemporary policy developments.

### **INSTRUCTOR AND CONTACT INFORMATION**

Instructor Name: Mehmet Beceren, Ph.D.

Email: [becerenm@mcmaster.ca](mailto:becerenm@mcmaster.ca)

Office Hours: TBA

TA: M. Ziyen Badshah & Gurjas Batra

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### *COURSE DESCRIPTION*

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**Method and Scope:** The course will be delivered in lecture form where topics of financial economics will be introduced with accompanying data analysis examples. In a parallel fashion, ongoing developments in political economy, monetary policy, and financial markets will be discussed. Selected topics in micro-economic analysis and macroeconomic policy will be covered.

The focus of learning will be the channels of interaction between the economy and financial assets in theory, and in practice. Therefore, hands-on data analysis and critical investigation will be an important learning tool. Students are expected deliver assignments and projects that require data collection, analysis and presentation.

Weekly assignments and a term project will be a significant portion of the coursework. Active learning by doing and participation are important. Neat and timely work delivered with a professional attitude is crucial.

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## ***COURSE MATERIALS AND READINGS***

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There is no required text book. The following list of suggested readings contain different parts of the course topics. All are highly recommended.

**Suggested Textbooks:**

**Financial Economics**, by Fabozzi, Neave and Zhou, J. Wiley & Sons

**Economics for Investment Decision Makers**, by Christopher Piro and Jerald Pinto

**Applied Intermediate Macroeconomics**, by Hoover, K.D., Cambridge University Press, 2012

**Money, Banking and Financial Markets**, by Cline D.K. and Mazumder S., 2022

**Microeconomics: A Very Short Introduction**, by Dixit A., Oxford University Press, 2014

[Books are available at McMaster Library online resources.](#)

To follow **Financial Times, *ft.com* and other financial media such as *The Economist* is also highly recommended.**

*Additionally, the course work will require the use of online economic and financial data sources. They will be introduced in class as term progresses.*

- ❖ *There is an additional Valuation Project included in the MFIN program. During the earlier part of the term, the lectures will include discussions about valuation methods.*

**EVALUATION**

<b>Weekly (4 +/- 1) Assignments</b>	<b>40%</b>
<b>Online Quizzes</b>	<b>15%</b>
<b>Term Project</b>	<b>25%</b>
<b>Final Exam</b>	<b>20%</b>

Late assignments will not receive full mark. A significant discount will be applied according to the severity of delay.

Missed tests/exams not approved by the MFIN Program Office will receive a grade of zero. Late assignments will be penalized 50% for each day they are late. Your final grade will be calculated as follows:

[www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf](http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf)

**Grade Conversion**

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

<b>LETTER GRADE</b>	<b>PERCENT</b>	<b>POINTS</b>
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

<b>Approximate Course Plan</b>	
<b>Broad Topic and Week</b>	<b>Specific Topics of Discussion</b>
<p><b>Week # 1</b></p> <p><i>Introduction &amp; Overview</i></p>	<p><b>Introduction and Logistics</b></p> <ul style="list-style-type: none"> <li>• Data sources and analysis tools</li> <li>• Overview of Interaction of Economics and Finance: Business, Government, Households, Consumption, Savings, Investment, Economic Growth and Capital Markets</li> <li>• Political Framework and Policy</li> <li>• Basic economic models in Financial Economics</li> </ul> <p>Brief introduction to:</p> <ul style="list-style-type: none"> <li>○ Inter-temporal Consumption-Saving Decisions and Interest Rate / Discount Rate concept</li> <li>○ Inter-temporal Production Choice and Capital Markets</li> </ul> <p><b>Introduction to the Valuation Project</b></p> <ul style="list-style-type: none"> <li>• Brief Overview of Standard Approaches: Book Value, Market Value &amp; Multiples, Discounted Cash Flow (no details- just logic and examples)</li> <li>• Explanation of 602 Class Focus: Interaction of Macro, Industry and Policy Factors with company profitability, asset growth and balance sheet risks.</li> <li>• Introduction of useful textbooks and resources. Quick overview of Refinitiv</li> </ul>
<p><b>Week # 2 - 3</b></p> <p><b>Firms: Production, Profit, Markets and Shareholders</b></p>	<ul style="list-style-type: none"> <li>• Industrial organization and profitability: Competition, Collusion, Product Differentiation</li> <li>• Profit margins: The role competitive pressures, collusion, cost structure</li> <li>• Profitability, multiples and growth expectations &gt;&gt;&gt; Equity Valuation</li> <li>• Drivers of profitability: Turnover, Margin, Leverage</li> <li>• <b><u>Valuation Project</u></b></li> <li>• Equity Risk Premium</li> </ul> <p style="text-align: right;"><i>Data Analysis Examples</i></p> <ul style="list-style-type: none"> <li>• Book value vs. Market Value</li> <li>• Translation of some key expectations of profitability and growth into valuation multiples</li> </ul> <p style="text-align: right;"><i>Extra Bloomberg Session with the TA</i></p>

<p><b>Week # 3 – 4</b></p> <p><b>Corporate Governance &amp; Investment</b></p>	<p>Stock valuation: Macroeconomy, Equity Risk Premium (ERP) Macro trends, business cycle dynamics and ERP</p> <p>Stock valuation: Crowd psychology</p> <ul style="list-style-type: none"> <li>• <b>Valuation Project</b></li> </ul> <p>Translation of some key expectations of profitability and growth into valuation multiples Refinitiv examples for Analyst Forecasts Data and stock analyst report examples</p> <p>Extra Bloomberg Session with the TA</p> <p><i>Data Analysis Examples</i></p>
<p><b>Week # 5 - 6</b></p> <p><b>Government Debt, Sovereign Risk Interest Rates, Yield Curve</b></p>	<p>Treasury Curve, Swap Curve Macro policy, business cycle and yield curve dynamics Bond Risk, Credit Risk, Correlation Risk and Macro policy</p> <p><i>Data Analysis Examples</i></p>
<p><b>Week # 7-8</b></p> <p><b>Monetary Policy, Inflation, Rates</b></p>	<p>Money Supply, Monetary Policy Inflation: Causes and Consequences Exchange Rate Regimes, Macro-Policy and FX Dynamics</p> <p><i>Data Analysis Examples</i></p>
<p><b>Week #9-10</b></p> <p><b>FX, International Economy and Global Financial Markets</b></p>	<p>Economic Growth, Productivity and Financial Return Across Countries</p> <p>Equity Risk, Bond Risk, FX and Policy Differences Globalization, De-Globalization and Financial Markets</p> <p><i>Data Analysis Examples</i></p>
<p><b>Week # 11</b></p> <p><b>Contemporary Global Markets</b> -- <b>Main Financial Institutions</b></p>	<p>Financial derivatives and the economy: Leverage and the risk of risk management tools</p> <p>Further discussions on macroeconomy and financial markets Current themes in global economy and markets outlook</p>
<p><b>Last Class</b></p>	<p>Project Presentations</p>

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## **COMMUNICATION AND FEEDBACK**

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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. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

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## **ACADEMIC INTEGRITY**

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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](http://www.mcmaster.ca/academicintegrity)

Students are responsible for being aware of and demonstrating behaviour that is honest and ethical in their academic work. Such behaviour includes:

- following the expectations articulated by instructors for referencing sources of information and for group work;
- asking for clarification of expectations as necessary;
- identifying testing situations that may allow copying;
- preventing their work from being used by others (e.g., protecting access to computer files); and
- adhering to the principles of academic integrity when conducting and reporting research.

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### ***AUTHENTICITY/PLAGIARISM DETECTION***

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**Some courses may** use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

**All submitted work is subject to normal verification that standards of academic integrity have been upheld** (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to [www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity).

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### ***COURSES WITH AN ONLINE ELEMENT***

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**All courses** use some online elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, 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.

Students may be required to use the Respondus LockDown Browser and Respondus Monitor. The Respondus LockDown Browser is a downloadable program that allows a student to take an Avenue to Learn quiz in a secure environment. Quizzes can be set to use LockDown Browser or LockDown Browser.

For more details about McMaster's use of Respondus Lockdown Browser please go to <https://avenuehelp.mcmaster.ca/exec/respondus-lockdown-browser-and-respondus-monitor/>

The available information is dependent on the technology used. Continuation in a course that uses online elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

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### ***ONLINE PROCTORING***

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**Some courses may** use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

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### ***CONDUCT EXPECTATIONS***

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As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx, Teams, or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

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### ***ATTENDANCE***

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Arriving late or missing class disrupts the learning experience for both you and your peers. Punctuality and attendance are crucial to maintaining a respectful, professional and productive environment for everyone, including our faculty.

Instructors may use Top Hat in their course in a variety of ways, including to capture attendance in their classes. Attendance is recorded by submitting a unique 4-digit code displayed in your physical classroom using your personal device.



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## ***MISSED ACADEMIC WORK***

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### **Missed Examinations / Tests / Class Participation**

Students can apply for relief from missed term work if they have or are going to miss an evaluated portion of their course. Please contact the Program Administrator for more information.

Reasons for missing course work can include:

- Health-related or extenuating circumstances
- Work-related commitments (for part-time students only)
- Representing the University at an academic or varsity event
- Religious obligations
- Conflicts between two (or more) overlapping scheduled mid-term exams.

### **Requesting Relief for Missed Term Work**

When students miss regularly scheduled term work which contributes 10% or less to the final grade, the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. For missed work which exceeds 10% of the course grade, [Petition For Relief For MFin Missed Term Work](#) and [McMaster University Student Health Certificate](#) or other supporting documentation must be submitted to the Program Administrator at [mfin@mcmaster.ca](mailto:mfin@mcmaster.ca) within five (5) business days of missing the work or mid-term exam.

### **Missed Final Examinations**

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the Program Office to write a deferred examination by submitting an [Application for Deferring a Final Exam](#) and [McMaster University Student Health Certificate](#) or other supporting documentation. The application must be made within five days of the scheduled exam.

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the Program Office and agreed to by the course instructor.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

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### ***ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES***

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Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

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### ***ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)***

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Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to the Program Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

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### ***COPYRIGHT AND RECORDING***

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Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image

may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

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***POTENTIAL MODIFICATION TO THE COURSE***

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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.

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***ARTIFICIAL INTELLIGENCE POLICY***

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[Generative Artificial Intelligence - Academic Excellence - Office of the Provost \(mcmaster.ca\)](#)