1. **Title of the module**

ECON5620 (EC562) Financial Economics: Financial Markets and Instruments

1. **School or partner institution which will be responsible for management of the module**

School of Economics

1. **The level of the module (Level 4, Level 5, Level 6 or Level 7)**

Level 6

1. **The number of credits and the ECTS value which the module represents**

15 credits (7.5 ECTS)

1. **Which term(s) the module is to be taught in (or other teaching pattern)**

Autumn or Spring

1. **Prerequisite and co-requisite modules**

Prerequisites:

ECON5000 Microeconomics

1. **The programmes of study to which the module contributes**

This is a compulsory modules for BSc Financial Economics and BSc Financial Economics with Econometrics, but an elective module for all other Single and Joint Honours Degree Programmes in Economics Programmes.

The module is **NOT** available to students across other degree programmes in the University

1. **The intended subject specific learning outcomes.  
   On successfully completing the module students will be able to:**
   1. Understand and critically evaluate the role of economic models in testing market efficiency hypotheses
   2. Demonstrate knowledge and understanding of the two main approaches to asset pricing in finance and their relative strengths and weaknesses
   3. Understand the link between the risk profile of an asset and the equilibrium expected return of that asset
   4. Synthesise and critically compare different financial economic analyses of a financial issue
   5. Solve analytical, numerical and computational problems relevant to the working of financial markets
   6. Understand the motivation for trade in common types of financial contracts
2. **The intended generic learning outcomes.  
   On successfully completing the module students will be able to:**
   1. Reflect critically on the application of economic models to real-world issues in finance
   2. Address economic and financial problems using deductive and inductive reasoning
   3. Retrieve, review and utilise information, particularly quantitative data, from a variety of sources
   4. Communicate coherent economic arguments verbally and in writing
   5. Plan work and study independently
3. **A synopsis of the curriculum**

This module provides an overview of the main instruments in financial markets, the motivation for trade in these assets and the pricing of these assets. Specifically, we show how the economics of uncertainty motivates trade in a wide range of financial assets. This helps us determine how the risk and maturity of different assets affects the demand for those assets.

First, the module introduces the key principles of asset pricing: discounting, diversification, arbitrage and hedging. Second, the module introduces and motivates the use of debt, equity and derivative instruments in financial markets. Third, the module applies the key principles of asset pricing to help understand the behaviour of prices across these asset classes. While different classes of assets expose their holders to different types of risks, the key principles of asset pricing are common to all asset classes. This concept is formalised by the Fundamental Theorem of Asset Pricing.

While focusing on financial applications, the module does speak more widely to methodological challenges encountered when testing economic theories against data. These challenges are particularly relevant in financial economics. While the literature has developed a range of innovative techniques to more effectively test competing theories against the data, the answers to a number of key questions remain contested.

1. **Reading list (Indicative list, current at time of publication. Reading lists will be published annually)**

* Bailey, R.E. (2005), The Economics of Financial Markets, Cambridge University Press.
* Bernstein, P.I. (1996), Against the Gods - the Remarkable Story of Risk, John Wiley.
* Campbell, Lo and MacKinlay (1997) The Econometrics of Financial Markets, 1st ed., Princeton University Press.
* Fabozzi, Neave and Zhou (2012) Financial Economics, 1st ed., Wiley & Sons.
* Hull, J.C. (2006), Options, Futures, and Other Derivatives, 6th ed., Prentice Hall.

1. **Learning and teaching methods**

Total contact hours: 18 hours

Private study hours: 132

Total study hours: 150

1. **Assessment methods**
   1. Main assessment methods

Problem Sets (15%)

Coding Exercise, (15%)

Examination, 2 hours (70%)

13.2 Reassessment methods

Reassessment Instrument: 100% exam

1. ***Map of module learning outcomes (sections 8 & 9) to learning and teaching methods (section12) and methods of assessment (section 13)***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Module learning outcome** | *8.1* | *8.2* | *8.3* | *8.4* | *8.5* | *8.6* | *9.1* | *9.2* | *9.3* | *9.4* | *9.5* |
| **Learning/ teaching method** |  |  |  |  |  |  |  |  |  |  |  |
| *Lecture* | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |  |  |  |
| *Terminal Class* | **x** |  |  |  | **x** |  |  | **x** | **x** |  |  |
| *Seminar* | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |
| *Private Study* | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |
| **Assessment method** |  |  |  |  |  |  |  |  |  |  |  |
| *Problem Sets* | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |
| *Coding Exercise* | **x** |  |  | **x** | **x** | **x** |  | **x** | **x** | **x** | **x** |
| *Examination* | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |  | **x** | **x** |

1. **Inclusive module design**

The School recognises and has embedded the expectations of current equality legislation, by ensuring that the module is as accessible as possible by design. Additional alternative arrangements for students with Inclusive Learning Plans (ILPs)/declared disabilities will be made on an individual basis, in consultation with the relevant policies and support services.

The inclusive practices in the guidance (see Annex B Appendix A) have been considered in order to support all students in the following areas:

a) Accessible resources and curriculum

b) Learning, teaching and assessment methods

1. **Campus(es) or centre(s) where module will be delivered**

Canterbury

1. **Internationalisation**

The module studies examples of financial issues from a range of countries across the world at varying stages of development, with a focus on examples and data from the United Kingdom and the United States. The module develops skills and techniques that are globally transferrable. The computing section of the course uses the modern programming language, Julia, a language that is popular in the financial industry worldwide.

**FACULTIES SUPPORT OFFICE USE ONLY**

**Revision record – all revisions must be recorded in the grid and full details of the change retained in the appropriate committee records.**

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| Date approved | Major/minor revision | Start date of the delivery of revised version | Section revised | Impacts PLOs (Q6&7 cover sheet) |
| 07/02/19 | Minor | September 2019 | 1 | No |

Revised FSO Jan 2018