



香港中文大學
The Chinese University of Hong Kong

GLEF 3030 Global Financial Markets
2016-17 Term 2
Course outline

(Thur: 10:30 AM to 1:15 PM, Esther Lee Bldg 405)

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Course Objective:

Financial market is generally interpreted as a market in which financial instrument's trading takes place. How market is classified? According to its geographical location? Classified by the product nature? Usually the bigger the market more influential it is to investors, so how big these financial markets are? Different financial markets will have different investors' groups, i.e. different supply/demand dynamics. Moreover, it is obvious that each market will have its own convention in pricing/quotation, settlement arrangement, taxing system and regulatory rules in governing investors' behaviour (i.e. financial or security laws). All those questions above are the focus of this course.

Nowadays, given the advanced information technology and high capital/funding mobility, "impacts or changes" to one financial market can be easily "transmitted" or "spilled over" to other markets over a short period of time. Therefore, no single market can be isolated from other markets' influence. Therefore, a good understanding of the characteristics of each financial market, and may be more importantly, the interactions or "correlation" between these major markets, is critical for fund managers and financial market practitioners. These are also another important empirical issues this course intends to address.



The above objectives can be achieved via the following two elements of this course: 1) Bond Portfolio Project and 2) Guest Lectures, on top of the required reading and regular class meetings.

1) Bond Portfolio Project

- 4 to 8 students will form an investment team.
- Starting with US\$ 10 million, each team will form a bond portfolio consists of **maximum three bonds (at any time), in investment grade, in any currency [the bond(s) chosen must be identifiable in Bloomberg]**
- No short-selling allowed
- No derivatives allowed
- remaining proceed (in US\$: i.e. any not-invested fund can only be kept in US\$) if any, will earn a US\$ money market/deposit rate (1-month US\$ LIBOR)
- investment period will be from **20 Feb to 31 March 2017** (*deadline for submitting your portfolio is 19 Feb 2017 11:59PM (HK time), just before mid-night*)
- You can only change your portfolio ONCE throughout this period: i.e. on 12 March, you have to decide to make any change. If you decide to do so, your updated portfolio value in US\$, based on 10 March closing level (both bonds and currencies), will be calculated.
- You have to submit your new portfolio to my TA before 12 March (11:59 PM HK time). Of course this new portfolio value (based on 10 March market value) will be same as that for the old portfolio (based on 10 March market value).
- **BUT change is not a must!** Will discuss with you in details on how to mark to market on the first class.



- If you do not make any change, your portfolio will be valued based on the closing market levels (both bond and FX) of 31 March 2017, quoted by Bloomberg, **expressed in US\$**, (i.e. everything converted back into US\$) and this US\$ portfolio value will be used for measuring your portfolio performance.

And your bond portfolio project score will be determined as follows:

- a. All teams' portfolio values will be ranked and marks will be distributed according to the following scale:

Highest portfolio value	20 %
2 nd	18 %
3 rd	17 %
4 th	16 %
5 th	15 %
6 th	14 %
and so on....	

- b. Each team will deliver a **maximum 10-minute** presentation to explain their portfolio performances. Only the quality of the rationale counts here, which is nothing to do with your portfolio performance, i.e. if you appear don't know why your portfolio is over or under-performing, a very low score should be expected from this part b. So DO NOT repeat what happened to the financial markets in the investment period in your presentation, but concentrate on the rationale of your investment decision.

Range: 0% to 10%

2) Guest Lectures

Two guest lectures will be arranged and each will focus on one particular financial market. The guest speakers are all current market practitioners and have around 10 years of experience in their own area of expertise. Students are expected to do their homework in gathering as much information as possible in that market so that they can get the most of the guest lecture by clarifying any queries they may have with the guest speakers. Or the student may ask for



market updates or opinions that may help to improve the investment decision on their bond portfolio project.

Textbook:

Financial Markets and Institutions, by Fredric S. Mishkin & Stanley G. Eakins, Pearson, 8/e (FMI)

Bond Markets, Analysis and Strategies, by Frank J. Fabozzi Pearson, 8th Edition (BAS)

Other good references:

Global Investments by Bruno Solnik & Dennis McLeavey, 6/e, Pearson 2009

International Capital Markets by John Eatwell & Lance Taylor, Oxford University Press, 2001.

Assessment:

A) Bond portfolio management project	30%
B) Mid-term quiz	20%
C) Final quiz	40%
D) Class participation	10%

Asian Wall Street Journal

This is your radar screen for monitoring any news that may affect your portfolio assets, or alternatively you can try some financial websites for comments, like Bloomberg at the <http://www.bloomberg.com/index.html?Intro=intro3>, which is an excellent website for updates on various kinds of market information around the globe.

Do remember your class participation is an important ingredient of your total score. Interactive discussion of the markets' development for the past week (either read from Bloomberg's website or Asian Wall Street Journal or other sources) between the instructor and the students in each class will be an ideal mean to improve your score on this front.



I will be active in asking for your investment opinions and hope you will be brave enough to challenge me as well. Your reading and digestion of the news and financial market developments for the past week are the best preparation for the discussion.

Relevant side reading and articles, if any, will be distributed in class.

Tentative schedule:

Class 1:	12 Jan 2017	Introduction & Review of basic concepts
Class 2:	19 Jan 2017	Foreign Exchange (FX) markets (FMI: Chap 15) + Bloomberg training session
Class 3:	26 Jan 2017	International Bond Market – part 1 (FMI: Chap 12)
Class 4:	9 Feb 2017	International Bond Market – part 2 (BAS: Chap 9)
Class 5:	16 Feb 2017	Equity markets (FMI: Chap 13)
Class 6:	23 Feb 2017	Derivatives Market: Futures & Forward (FMI: Chap 24)
Class 7:	2 Mar 2017	Mid-term Quiz
Class 8:	9 Mar 2017	Guest Lecture: Investment Banking & Derivatives Trading
Class 9:	16 Mar 2017	Guest Lecture: Asian Capital Markets
Class 10:	23 Mar 2017	Bond Portfolio Management: A case study
Class 11:	30 Mar 2017	Dim Sum Bonds
Class 12:	6 Apr 2017	Pre-exam review
Class 13:	13 Apr 2017	Presentation of portfolio exercise
Class 14:	20 Apr 2017	Final quiz

- ❖ The guest lectures may be arranged on **Saturday morning**, depending on the guest speakers' final confirmation. You will be informed as soon as possible.



Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.

With each assignment, students will be required to submit a signed declaration that they are aware of these policies, regulations, guidelines and procedures.

- In the case of group projects, all students of the same group should be asked to sign the declaration, each of whom is responsible and liable to disciplinary actions should there be any plagiarized contents in the group project, irrespective of whether he/she has signed the declaration and whether he/she has contributed directly or indirectly to the plagiarized contents.
- For assignments in the form of a computer-generated document that is principally text-based and submitted via VeriGuide, the statement, in the form of a receipt, will be issued by the system upon students' uploading of the soft copy of the assignment.

Assignments without the properly signed declaration will not be graded by teachers.

Only the final version of the assignment should be submitted via VeriGuide.

The submission of a piece of work, or a part of a piece of work, for more than one purpose (e.g. to satisfy the requirements in two different courses) without declaration to this effect shall be regarded as having committed undeclared multiple submission. It is common and acceptable to reuse a turn of phrase or a sentence or two from one's own work; but wholesale reuse is problematic. In any case, agreement from the course teacher(s) concerned should be obtained prior to the submission of the piece of work.