

# ECON1420A / UGEC1560A BASIC BANKING AND FINANCE 銀行與金融概觀 (Fall 2017)

The Chinese University of Hong Kong (Department of Economics)

## Staff

### Lecture

Instructor: **YAN, Wai-hin (殷偉憲)**  
Office: Esther Lee Building (ELB), Room 1001      Off. Hours: Thursday 11:20-12:20 or by appointment  
Phone: 394-38002      Email: [whyan@cuhk.edu.hk](mailto:whyan@cuhk.edu.hk)  
Time: **Friday 8:30-11:15 (F01-03)**      Venue: **Esther Lee Building (ELB) LT4**

Tutors:	Email:	Office / Phone:	Office Hours:
<b>CHEN Wei</b>	<a href="mailto:clairechen_cuhk@link.cuhk.edu.hk">clairechen_cuhk@link.cuhk.edu.hk</a>	<b>ELB 1016 / 394-38203</b>	<b>Wednesday 11:30-12:30</b>
<b>LI Chen</b>	<a href="mailto:1155084319@link.cuhk.edu.hk">1155084319@link.cuhk.edu.hk</a>	<b>ELB 1017 / 394-39202</b>	<b>Friday 17:30-18:30</b>
<b>PENG Jingyi</b>	<a href="mailto:jingyipeng@link.cuhk.edu.hk">jingyipeng@link.cuhk.edu.hk</a>	<b>ELB 1017 / 394-39202</b>	<b>Friday 15:00-16:00</b>

## Course Overview

This course is an overview of the institutional and practical aspects of the banking and financial sectors of the economy, with emphasis on how the two sectors impact on the economic well being of workers, consumers, and investors. This course is designed for students with no previous knowledge or training in economics. Topics to be discussed include: interest rate determination, operation of the banking system, banking policy and supervision, liquidity, money supply and exchange rate systems, investment returns, stock markets, risk diversification and portfolio choice, and their relationships with consumer prices, trade, investment, unemployment and the level of economic activity.

## Learning Outcomes

Students should be able to understand the basic operation of financial market after completing this course. You might apply and interpret basic valuation methods to financial instruments such as equity, debt, derivatives. You would appreciate how the banking system and financial markets impact on the livelihood of everyone in society. You might also know how to read financial news or data, and apply relevant concepts and tools, to analyze some financial and banking activities such that you could understand the influence of financial markets functioning on general public in society.

## Main References

1. Mishkin, Frederic S., *The Economics of Money, Banking, and Financial Markets*, 11<sup>th</sup> ed., Pearson, 2014.
2. Young, Leslie and Raymond Chiang, *Hong Kong Securities Industry*, 3<sup>rd</sup> ed., The Stock Exchange of Hong Kong Ltd. and The Asia-Pacific Inst. of Business, 1997.

## Recommended reading list/references

### **Books:**

1. Bodie, Z., *et al*, *Investments* 10<sup>th</sup> ed., McGraw-Hill, 2014.
2. Ho, S..., *et al*, *The Hong Kong Financial System: a new age*, Oxford University Press, 2004.

### **Online Material:**

The following websites are also providing latest information of our banking and financial sectors:

AASTOCKS.com: <http://www.aastocks.com/en/default.aspx>

DailyFX: <http://www.dailyfx.com/>

Hong Kong Centre of Economic Research: <http://www.hkcer.hku.hk/>

Hong Kong Exchanges and Clearing Limited: <http://www.hkex.com.hk/>

Hong Kong Monetary Authority: <http://www.hkma.gov.hk/eng/index.shtml>

Securities and Futures Commission: <http://www.sfc.hk/web/EN/index.html>

Yahoo's Financial Website: <http://hk.finance.yahoo.com/>

## Assessment

Final examination (55%): There are multiple-choice and short questions in a 120-minute examination.

Test (45%): We also have a 100-minute test with multiple-choice and short questions on **10<sup>th</sup> November 2016**.

NO digital device is allowed in the examination. There is also NO Make-up Examination.

## Tutorial

There is NO tutorial but you may contact our teaching assistants if you have any academic problem about this course.

## Tentative Teaching Schedule and (Suggested Readings):

The course follows approximately the schedule:

<b>Week</b>	<b>Date</b>	<b>Topic (refers to the main textbook)</b>
1	Sept. 08	An Overview of the Financial System (Mishkin, Ch.1 and 2, Young and Chiang, Ch.1): Role of the financial system in society and their interactions.
2	Sept. 15	What is Money? (Mishkin, Ch.3): Development of monetary system from barter to electronic trading economy. Quantity Theory, Inflation and the Demand for Money (Mishkin, Ch.19)
3	Sept. 22	Understanding Interest Rates (Mishkin, Ch.4): Concept of present value and time preference. The Behavior of Interest Rates (Mishkin, Ch.5): Impact on household decision and investment behaviour.
4	Sept. 29	The Behavior of Interest Rates (Mishkin, Ch.5): Impact on household decision and investment behaviour. The Risk and Term Structure of Interest Rates (Mishkin, Ch.6): Economic theory about different interest rates.
5	Oct. 06	Return, Risk and Diversification (Mishkin, Ch.6), (Young and Chiang, Ch.15, Ch.16): Factors involved in personal wealth management.
6	Oct. 13	Valuation of Shares–Fundamental Analysis (Mishkin, Ch.7), (Young & Chiang, Ch.17): Corporate governance and long term profitability of company.
7	Oct. 20	Valuation of Shares–Technical Analysis (Young & Chiang, Ch.17): Popular belief, myth, or artistry?
8	Oct. 27	Financial Derivatives–Options, Warrants and Futures (Mishkin, Ch.29), (Young & Chiang, Ch.7): Market innovation to handle risk.
9	Nov. 03	Theory of Rational Expectations, and the Efficient Markets Hypothesis (Mishkin, Ch.7, Ch.24): Limits of rationality postulate and EMH, role of cultural and social factors in investors' objectives and behaviour.
10	Nov. 10	<b>Mid-term Test</b>
11	Nov. 17	The Banking and the Management (Mishkin, Ch.9): Methods of maintaining stable banking in society.
12	Nov. 24	Money Supply Process: Role of depositors, borrowers, banks and government in the monetary system. (Mishkin, Ch.13 and 14) Foreign Exchange (Mishkin, Ch.17 and 18)
13	Dec. 01	Economic Analysis of Banking Regulation and Global Financial Crisis (Mishkin, Ch.8, 10, 11, 12)

- Remarks:
1. Some contents will be announced if they are not discussed and tested.
  2. Supplementary notes may be distributed in class.
  3. You may use other books for your self-revision but notations may be different.

## Academic Honesty

University does not allow any cheating, or plagiarism. Your offense can lead to disciplinary actions. Please refer to the website <<http://www.cuhk.edu.hk/policy/academichonesty>> on “Honesty in Academic Work: A guide for Students and Teachers”.