

### Staff

#### Lecture

Instructor:	YAN, Wai-hin (殷偉憲)	Off. Hours:	Thursday 11:00-12:00 (by appointment)
Office:	Esther Lee Building (ELB), Rm. 1001	Email:	whyang@cuhk.edu.hk
Phone:	394-38002	Venue:	Esther Lee Bldg. (G/F) ELB LT2
Time:	Friday 8:30-11:15 (F01-03)		
Tutors:	Email:	Office / Phone:	Office Hours:
NGAN Yuk-man	yukmanngan@cuhk.edu.hk	ELB 1007 / 39433536	Tuesday 10:30-11:30
PENG Jingyi	jingyipeng@link.cuhk.edu.hk	UCA 306 / 51347014	Monday 14:00-15:00
YANG Lu	1155184048@link.cuhk.edu.hk	ELB 1017 / 39439202	Tuesday 10:30-11:30

### 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.

- Medium of instruction is mainly in **Cantonese**. Recording is NOT appropriate because of your privacy in the class.

### 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*, 12<sup>th</sup> ed. Global ed., Pearson, 2019.
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* 12<sup>th</sup> ed., McGraw-Hill, 2021.
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 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/>

### 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/academic\\_honesty](http://www.cuhk.edu.hk/policy/academic_honesty)> on "Honesty in Academic Work: A guide for Students and Teachers".

### Assessment

Closed-book Test (45%): We have 120-minute test with multiple-choice and short questions on **11<sup>th</sup> November 2022**.

Open-book Final test (55%): There are about 10 questions in a 120-minute test. Time and venue information will be released later.

NO digital device is allowed in the tests. There is also NO Make-up Test (unless university approval).


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

Grade Description:

<b>A / A-</b>	Demonstrates unexpected superior understanding of all aspects of the course (basic concepts and key views and arguments in the literature). Demonstrates excellent ability to interpret relevant concepts and tools which can be applied to daily life and social customs. Demonstrates excellent ability to analyze major financial issues, banking activities and the corresponding influence on general public in society based on knowledge and relevant materials acquired from the course.
<b>B+ / B / B-</b>	Demonstrates good grasp of all major aspects of the course (basic concepts and key views and arguments in the literature). Demonstrates reasonable ability to interpret relevant concepts and tools which can be applied to daily life and social customs. Demonstrates reasonable ability to analyze some major financial issues, banking activities and the corresponding influence on general public in society based on knowledge acquired from the course.
<b>C+ / C / C-</b>	Demonstrates acceptable grasp of most major aspects of the course (basic concepts and key views and arguments in the literature). Demonstrates acceptable ability to interpret relevant concepts and tools which can be applied to daily life and social customs. Demonstrates acceptable ability to analyze some financial and banking issues and the corresponding influence on general public in society based on knowledge acquired from the course.
<b>D+ / D</b>	Demonstrates a marginally acceptable grasp of some major aspects of the course (basic concepts and key views and arguments in the literature). Demonstrates a marginally acceptable ability to interpret relevant concepts and tools which can be applied to daily life and social customs. Demonstrates a marginally acceptable ability to analyze some financial issues, banking activities and the corresponding influence on general public in society based on limited knowledge.
<b>F</b>	Failure to meet a minimum standard of knowledge base in the subject. Failure to understand and analyze any financial and banking issues.

**Tentative Teaching Schedule and (Suggested Readings):**

The course follows approximately the schedule:

Week	Date	Topic (refers to the main textbook)
1	09-09	An Overview of the Financial System (Mishkin, Ch.1, 2, 8), (Young and Chiang, Ch.1): Role of the financial system in society and their interactions.
2	09-16	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	09-23	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	09-30	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	10-07	Return, Risk and Diversification (Mishkin, Ch.6), (Young and Chiang, Ch.15, 16): Factors involved in personal wealth management. Valuation of Shares – Fundamental Analysis
6	10-14	Valuation of Shares – Fundamental Analysis (Young & Chiang, Ch.17): Corporate governance and long term profitability of company.
7	10-21	Valuation of Shares – Technical Analysis (Young & Chiang, Ch.17): Popular belief, myth, or artistry?
8	10-28	Financial Derivatives – e.g. Options, Futures (Young & Chiang, Ch.7): Market innovation to handle risk.
9	11-04	Financial Derivatives – e.g. Options, Futures (Young & Chiang, Ch.7): Market innovation to handle risk. 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	11-11	<b>Mid-term Test</b> 
11	11-18	The Banking and the Management (Mishkin, Ch.9): Methods of maintaining stable banking in society.
12	11-25	Money Supply Process: Role of depositors, borrowers, banks and government in the monetary system. (Mishkin, Ch.13, 14, 15, 19) Foreign Exchange (Mishkin, Ch.17, 18)
13	12-02	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.