C31FM Financial Markets

COURSE DETAILS
Course Code: C31FM
Full Course Title: Financial Markets
SCQF Level: 11
SCAF Credits: 15
Available as Elective: No

DELIVERY LEVEL
Undergraduate: No  Postgraduate Taught: Yes  Postgraduate Research: No

COURSE AIMS
To introduce students to the way financial markets and institutions function in practice, with particular emphasis on equities and bonds. This will provide the context of underlying finance theory into which the mathematics will fit.

LEARNING OUTCOMES – SUBJECT MASTERY

• know the principles of the valuation of shares and bonds;
• be able to apply certain analytical techniques regarding shares and bonds;
• understand the sources of bond risk and the factors affecting bond prices.

• have the ability to critically evaluate the performance of an equity fund manager.

LEARNING OUTCOMES – PERSONAL ABILITIES

• understand the context within which market professionals work;
• have some familiarity with the main financial markets and instruments trades;
• have some familiarity with the investment industry;
• understand the role of the various institutions involved in financial markets;

• be able to write a coherent essay in a way which demonstrates that they have understood the material
• demonstrate the ability to learn independently
• manage time, work to deadlines and prioritise workloads

SYLLABUS

I. Introduction to Financial Markets
Introduction, purpose of financial markets, the Stock Exchange, types of investments.

Institutional investors: pension funds, life funds, general insurance funds, mutual funds.

Interest rate calculations: compound interest, annuities, real and nominal interest rates, spot and forward rates, discounted cash flow.

Equities: fundamental analysis and technical analysis, portfolio management.

Portfolio theory: Markowitz model, international diversification; basics of CAPM and Arbitrage Pricing Theory.

Efficient markets: informational efficiency, behavioural finance.

Market indices: equity indices, bond indices, property indices.

Portfolio performance measurement: rates of return, notional funds, consideration of risk.

II. Bond Markets

Overview of fixed-income securities.

Bond mathematics including bond prices, interest rates and yields.

The concepts of duration and convexity, and their use in portfolio management.

The term structure of interest rates and alternative theories, and empirical evidence.

Index-linked securities.
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