

# SYLLABUS

Course title	International Financial Markets
Year	2019
Lecturer	Albert Hayrapetyan, PhD in Economics
E-mail	<a href="mailto:alberthayrapetyan@gmail.com">alberthayrapetyan@gmail.com</a> <a href="mailto:albert.hayrapetyan@asue.am">albert.hayrapetyan@asue.am</a>
Credits	5 ECTS
Students' level	Masters

## COURSE DESCRIPTION

The course provides holistic view on modern-day financial tools and financial markets. It consists of three parts. It starts with the introduction of basic concepts such as money, banking, interest rates, exchange rate, arbitrage, etc. In sequel, students will get in-depth understanding of different markets such as stock markets, derivative markets, insurance markets, and regional and international capital markets such as for example Eurobond markets. And finally in the third part students will develop understanding of a variety of theories that helps to both understand and predict the phenomena taking place in the global financial markets. Those theories include but are not limited to Rational Expectations Theory, Keynesian Theory and IS/LM/BP model, Asset Demand Theory, Segmented Markets Theory, PPP Theory, Quantity Theory of Money with its modernized version, etc. A particular attention will be paid to reflexivity theory developed by hedge fund tycoon Mr. George Soros based on his a posteriori knowledge of global financial markets.

## COURSE OBJECTIVES

Upon successful completion of the course students are expected to:

- Have a solid understanding of the bulk of Finance glossary
- Have the ability to analyze the factors behind global financial cataclysms
- Grasp the theories that are meant to explicate the state of affairs in global financial markets
- Have the ability to conduct an up-to-date research on issues covered during the course

# METHODS OF INSTRUCTION

The traditional teaching methods, i.e. lectures and seminars will be coupled with group discussions and interactive games during the class time. The oral presentation by the instructor will always be accompanied by the relevant slides.

## ASSESSMENT CRITERIA

- Active participation – 20%
- Reading-based tests – 20%
- Presentation – 20%
- Final exam – 40%

## COURSE TOPICS/UNITS

### **PART I Introduction**

- Introduction of the main concepts
- Understanding of the types of interest rates
- Principal and coupon payment
- Exchange rates and the types thereof
- Inflation
- Impossible triangle
- Risk types
- Banks and Central Banks
- Tools of monetary policy
- Understanding the moral hazards and the implications thereof
- Types and peculiarities of derivatives
- Yield curves
- Hedging

### **Part II Markets**

- Why study financial markets? An overview of the financial system
- Commodity and service markets
- Money markets
- Stock markets
- Market of derivatives
- Insurance markets
- Banking and its normatives (Basel III)
- Foreign exchange markets

### **PART III Theories**

- Asset demand theory
- Segmented markets theory

- Liquidity premium theory
- Purchasing power parity theory
- Quantity theory of money
- Keynes's liquidity preference theory
- Theory of rational expectations
- Theory of adaptive expectations
- Efficient market hypothesis
- Theory of imperfect/asymmetric information
- Participants' bias theory
- The theory of reflexivity

## LITERATURE

### Required readings

1. Frederic S. Mishkin and Apostolos Serletis, *The economics of money, banking, and financial markets*. Fourth Canadian edition, 2011.
2. George Soros, *The alchemy of finance*. John Wiley & Sons, 2003.

### Recommended readings

1. Keith Pilbeam, *Finance & financial markets*. Macmillan International Higher Education, 2018.
2. Stephen Valdez, and Philip Molyneux. *An introduction to global financial markets*. Macmillan International Higher Education, 2015.
3. Hiroshi Nakaso, "Monetary policy divergence and global financial stability: from the perspective of demand and supply of safe assets." *International bankers association of Japan*. *Bank of Japan* no. 20, 2017
4. Marc Lavoie, "Understanding the global financial crisis: Contributions of post-Keynesian economics." *Studies in Political Economy* 97, no. 1, 2016, pp. 58-75.
5. Xavier Gabaix, and Matteo Maggiori. "International liquidity and exchange rate dynamics." *The Quarterly Journal of Economics* 130, no. 3, 2015, pp.1369-1420.