

ROTMAN SCHOOL OF MANAGEMENT
UNIVERSITY OF TORONTO
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RSM 230: Financial Markets

Autumn term 2008: Pre-requisites COM110H/RSM100Y

Office hours

I am in my office (449 Rotman) most of the time, particularly Tuesdays after 10:00 and before 5:00. I am also available by appointment. I prefer to be reached by e-mail, but if you have a time sensitive issue or an immediate need, you can call. E-mail is especially useful if you have technical questions that need some thought.

Course Objective

The aim of this course is to discuss the function and analysis of financial markets and introduce key institutional details of the Canadian markets. The course will briefly highlight the nature of financial securities, the major players that buy and issue them and the securities regulations and procedures that govern their transfer. The absolute hard pre-requisites are COM110H/RSM100Y. The course will cover some of the key material covered in the Canadian Securities Course. The CSC is required of almost anyone working in the financial markets and students interested in a career in finance are recommended to enrol in the CSC during the current academic year, so that they will have their CSC designation prior to looking for a summer finance job. Information on the CSC can be found at https://www.csi.ca/student/en_ca/home.xhtml

Achieving the Objective.

This course is primarily descriptive and will be taught in a conventional lecture format supplemented with two class sessions in the Rotman Financial research and trading Lab (FRTL) where students will be introduced to the wealth of material online and key sources of data and information.

Textbook

The course will be taught from one required textbook, two supplementary texts and a series of light readings that will be made available. The textbooks are:

Required Textbook:

Frederic Mishkin and Stanley Eakins, Financial Markets and Institutions, 6th edition Pearson, NY 2009.

Supplementary Textbooks:

Sean Cleary, The Canadian Securities Exam: Fast Track Study Guide, John Wiley 2006.

Laurence Booth and Sean Cleary, Introduction to Corporate Finance, John Wiley, 2007.

The Mishkin and Eakins (Mishkin) book is a great book and totally up to date (2009 no less), but it is *American* not Canadian. Canadian institutional details are covered in the Cleary study guide for the CSC exam and the Booth-Cleary text, which is used in the RSM332-333 sequence. A warning is that the Cleary text is essentially a prep book and the information is very terse.

Several current articles will be made available from brokerage firms, the media and the web to show how the relevance of the material.

Grading

There will be two assignments, a mid-term and a final exam.

Two assignments:	20%
Mid-Term:	40%
Final Exam:	40%

There will be a TA assigned for each section of the course and their names and contact information will be provided as soon as it is known.

Note:

- 1) The outline is not complete: readings will be added as we get closer to the time when the topics are covered.
- 2) Powerpoint slides will be posted, but these are *not* notes. You will find them as terse as Cleary's book; their objective is to make sure that the instructor remembers what to say *not* prep students for the exams.

Missed Assignments/Midterms

Students may miss the mid-term exam due to illness, domestic affliction, or in the case of part time students, work commitments, without academic penalty *providing* the appropriate documentation is received and approved in a timely manner.

In such cases students must notify the Rotman Commerce office on the date of the exam and a medical certificate, employer's letter or other supporting evidence must be submitted to the Rotman Commerce office within 48 hours of the due date. Students who do not provide the Rotman Commerce office appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the exam.

Course Work & Academic Honesty

Submission of Assignments - Late submissions of any assignment will not be accepted unless there are valid medical reasons supported by a doctors' note.

Academic Misconduct - The University's Code of Behaviour on Academic Matters ("Code") applies to all Rotman Commerce students. The Code prohibits all forms of academic dishonesty including, but not limited to, cheating, plagiarism, and the use of unauthorized aids. Students violating the Code may be subject to penalties up to and including suspension or expulsion from the University. A copy of the Code may be found at: <http://www.utoronto.ca/govcncl/pap/policies/behaveac.html>

Additionally, further information from the Faculty of Arts & Science regarding the procedures and prevention of Academic Offences may be found at http://www.artsci.utoronto.ca/main/faculty/acaresources/pdfs/academic_pt2_2007.pdf

Students are expected to conduct themselves with the utmost integrity during their time at the University of Toronto and, without limiting the foregoing, will:

- Maintain an optimal learning and work environment for themselves and others (cooperation, keeping commitments, attendance, on-time arrival, preparation in advance, participation and non-disturbance during classes, provide support to colleagues and program administration...)
- Submit only original work, giving credit to others where appropriate;
- Neither give nor receive unauthorized aid in examinations or on assignments;
- Contribute substantially and proportionally to each group assignment;
- Ensure enough familiarity with the entire contents of group assignments so as to be able to sign off on them as original work;

- Accept and acknowledge that assignments found to be plagiarized in any way will be subject to sanctions under the University's Code of Behaviour on Academic Matters;
- Represent themselves honestly to members of the Rotman Commerce community and to outsiders;
- Represent Rotman Commerce appropriately to the outside world, and act as professionals (integrity, deportment, reasonableness and respect).

RSM 230: FINANCIAL MARKETS

<u>Week 1</u>	<u>Capital Markets and the Financial System</u>
Texts:	Mishkin Chapters 1 & 2 Cleary Chapter 1 Booth-Cleary Chapter 1
<u>Week 2</u>	<u>The Canadian Economy and the Bank of Canada</u>
Texts:	Mishkin Chapters 7-8 Cleary Chapter 2
<u>Week 3</u>	<u>The Banks and the Money Market</u>
Texts:	Mishkin Chapter 9
<u>Week 4</u>	<u>Canadian Banking</u>
	Mishkin Chapters 17 and 18
<u>Week 5</u>	<u>The Bond Market</u>
Readings:	Mishkin Chapter 10 Cleary Chapter 5
<u>Week 6</u>	<u>Fixed Income Securities</u>
Readings	Mishkin Chapters 3, 4,& 5
<i>Exercises in the Rotman Finance Research and Trading Lab</i>	
<u>Week 7</u>	<u>Mid-term Exam</u>
<u>Week 8</u>	<u>Equity Markets</u>
	Mishkin Chapter 6 and 11 Cleary Chapter 6

Week 9Mutual Funds

Mishkin Chapter 21
Cleary Chapter 10

Week 10Valuing Equities

Exercises in the *Rotman Finance Research and Trading Lab*

Week 11Portfolio Management

Cleary Chapter 9

Week 12Derivative Securities

Mishkin Chapter 25
Cleary Chapter 7

Week 13Insurance Companies

Mishkin Chapter 22
Cleary Chapter 11

Week 14Final Exam