

E004	Financial Markets	L	P	S	ECTS 3
		2	0	1	

Course objectives. Students should acquire basic knowledge of functioning of the financial system and markets. Basic participants and their influence on interest rates and security prices will be considered. Students should solve basic categories in financial systems, and in seminars they analyse stock prices and interest rates and calculate yields for these investments.

Prerequisites. Macroeconomics.

Course content.

1. Economy and the financial system. The role of markets in the economic system. Type of markets. Financial markets and the financial system. Types of financial markets. Dynamics of the financial system.
2. Financial assets, money and financial transactions. Creation of financial assets. Lending and borrowing in the financial system. Money as a financial asset. Types of financial transactions.
3. Interest rates in the financial system. Functions of the rate of interest in the economy. The classical theory of interest rates. The liquidity preference theory. The loanable fund theory.
4. Relationship between interest rates and security prices. Units of measurement for interest rates and security prices. Measurement of yield on a loan or security. Yield-price relationships.
5. Inflation, yield curve, duration and default risk influence on the interest rate.
6. The money market. Characteristics of the money market. The interest rates in the money market. Money market securities.
7. Bond market. Principal features of corporate bonds. Basic characteristics of corporate bonds. Yields on corporate bonds.
8. Stock market. Characteristics of stocks. Stock exchanges.

LEARNING OUTCOMES

No.	LEARNING OUTCOMES
1.	Understand differences between categories of financial markets and the forces that drive these market participants.
2.	Use knowledge of the determinants of interest rates and their impact on the prices of various securities.
3.	Calculate and interpret rates of return, risk and cost of various securities.
4.	Understand different roles of various financial institutions in the financial markets and their role in the overall financial system.
5.	Recognize the importance of interest rates in the behavior of financial market participants.
6.	Recognize the importance of particular financial markets and their impact on the economy as a whole.
7.	Prepare the data used in the analysis and investigation of certain financial markets.
8.	Be able to present the characteristics and patterns of behavior of financial markets and their participants.

RELATING THE LEARNING OUTCOMES, ORGANIZATION OF THE EDUCATIONAL PROCESS AND ASSESSMENT OF THE LEARNING OUTCOMES

	ECTS				POINTS
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TEACHING ACTIVITY		LEARNING OUTCOME **	STUDENT ACTIVITY*	EVALUATION METHOD	min	max
Attending lectures and exercises	0,5	1-8	Lecture attendance, discussion, team work and independent work on given tasks	Attendance lists, tracking activities	0	4
Homework	0,5	1-8	Solving theoretical and practical problems	Evaluation	0	4
Written exam (Mid-terms)	1	1-8	Preparing for written exam	Evaluation	25	46
Final exam	1	1-8	Revision	Oral exam	25	46
TOTAL	3				50	100

Teaching methods and student assessment. Lectures and seminars are mandatory. The final exam is taken upon the completion of lectures and exercises and it consists of two parts, a written and an oral part. Acceptable mid-term exam scores replace the written examination. Students may influence their final grade by doing homework or preparing a seminar paper.

Can the course be taught in English: Yes

Basic literature:

1. B. Novak, Financijska tržišta i institucije, Ekonomski fakultet u Osijeku, Osijek, 2005.
2. R.S. Peter Rose, Money and Capital Markets, Homewood Il., Boston, 1989.

Recommended literature:

1. V. Veselica, Financijski sustav u ekonomiji, Inženjering biro, Zagreb, 1995.