

St Francis Xavier University
Faculty of Arts
Department of Economics

ECON 335: Money & Financial Markets I
Fall 2019
Instructor: Greg Tkacz

Lectures:

Wednesday 9:45 – 11:00
Friday 8:15 – 9:30

Lecture Location:

Mulroney Hall 2070

Instructor:

Dr. Greg Tkacz

Instructor's Office:

Mulroney Hall 3075

Office Hours:

Wednesday 11:00 to noon
Thursday 9:30 to 11:00
Friday 9:30 to 11:00
or by appointment

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www2.mystfx.ca/economics

Description:

This course deals with the various forms of financing that can be available to firms, governments and households (bank credit, bonds and equity issues). We derive and study models that explain asset price movements with a specific focus on factors that can be influenced by policy-makers. We examine the consequences of severe asset price corrections, with the financial crisis of 2008-09 being given special consideration. We also study how policy-makers can prevent, or mitigate, the impact of crises via macro-prudential regulations.

Pre-requisites:

ECON 101 and 102

Evaluation:

→ Quiz #1: 25%
→ Quiz #2: 25%
→ Final Exam: 50%

In addition, end-of-chapter problem sets will be assigned, but need not be handed-in. We will go over the solutions in class after a reasonable delay.

Key Dates:

Friday September 6, 3:45 to 5:00PM in Mulroney Hall 3022: Bank of Canada Info Session

Wednesday October 9, 9:45 to 11:00: QUIZ #1

Friday October 11, 8:15 to 9:30: QUIZ #1 make-up date

Monday October 14 to Friday October 18: Fall Study Break

Wednesday November 20, 9:45 to 11:00: QUIZ #2

Friday November 22, 8:15 to 9:30: Quiz #2 make-up date

Friday November 29: Last class

Thursday December 5: Fall term exams begin

Teaching and Learning Style:

These are lecture-based courses, where attendance and note-taking is mandatory and important. We will derive relatively complex models step-by-step, and writing the steps (either graphically or algebraically) using pen and paper will be crucial for developing your understanding of the material.

N.B.: Notes will NOT be posted on Moodle. Should you miss a lecture, it is your responsibility for obtaining the notes from a classmate.

In addition, we will be monitoring financial and economic developments in real-time, and readings may be drawn from the financial press. The *National Post*, *Globe and Mail* and *CNN* will be our regular sources. We will then try to bridge the gap between textbook theory and real-life developments by showing how our models can explain current market movements.

PowerPoint will NOT be used to deliver the material. We will use technology only to show charts of recent financial or economic data.

Readings:

- Mishkin, F. S. and A. Serletis (2020) *The Economics of Money, Banking, and Financial Markets*, Seventh Canadian Edition, Pearson Canada. Available as e-book. Feel free to use the 6th edition as well.
- Bank of Canada Financial System Review (2019), May.
<https://www.bankofcanada.ca/2019/05/financial-system-review-2019/>
- www.nationalpost.com
- www.theglobeandmail.com
- www.cnn.com

Course Outline

Weeks 1-2: Introduction

- Chapter 1: Why Study Money, Banking & Financial Markets?
- Chapter 2: An Overview of the Financial System

Weeks 3-5: Bond Financing and Interest Rate Movements

- Chapter 4: The Meaning of Interest Rates
- Chapter 5: The Behavior of Interest Rates
- Chapter 6: The Risk and Term Structure of Interest Rates

Weeks 6-7: Equity Financing and Stock Price Movements

- Chapter 7: The Stock Market, the Theory of Rational Expectations and the Efficient Market Hypothesis

Weeks 7-10: Bank Financing: Real Estate Prices & Financial Crises

- Bank of Canada 2019 *Financial System Review*
- Chapter 11: Financial Crises
- Chapter 8: An Economic Analysis of Financial Structure

Weeks 11-13: Preventing Financial Crises: Banks and Banking Regulations

- Chapter 9: An Economic Analysis of Financial Regulation
- Chapter 10: Banking Industry: Structure and Competition