MN3116 – Financial Markets & Investments

Module Type/Semester: Junior Honours/Option (20 Credits)/Semester 2

Pre-requisite(s): MN3101

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AIM:
The investments industry has gone through some profound changes over the past decades, due in part to an abundance of newly designed securities, in part to the creation of innovative trading strategies, in part to concurrent advances in computer technology and in part to some turbulent events in the global financial markets. We have also witnessed the rapid transmission of theory to real-world practice in the financial industry. This module is designed to give students a broad appreciation of the role of the financial system in the economy and an introduction to the main components and instruments of financial markets. In addition, it covers the main techniques of portfolio management and trading. The module will equip students with the skills that are essential to the practices of an investment professional or a sophisticated individual investor.

Method of Teaching & Learning:
- Lectures
- Seminars
- Independent study

Learning Outcomes:
By the end of the module, students should be able to:
- Have an understanding of the overall investment process and the key elements involved
- Develop a thorough understanding of the various financial instruments available to potential investors
- Understand the concept of risk aversion and how risk aversion affects allocation
- Conceptualise the importance of diversification
- Appreciate the importance of investment policy statement
- Understand the principles of portfolio construction
- Understand the role of asset allocation
Develop a thorough understanding of the pricing, characteristics, and risk determinants of bonds

Describe the major theories of term structure and how term structure concepts apply to valuation of securities

Know the assumptions and implications of the efficient market hypothesis, its failures, and basic theory behind behavioural finance

Understand the basic methods of technical analysis

Have a thorough understanding of duration and how to calculate it for various bond portfolios

Understand the mechanics of options and futures markets.

Have a good knowledge of the process of asset securitization and its implications in the 2007-08 financial crisis.

INDICATIVE TOPIC OUTLINE:
Topic 1: Financial systems and economic activity.
Topic 2: Overview of investment environment.
Topic 3: Asset classes and financial instruments.
Topic 4: Security markets.
Topic 5: Risk, return and diversification.
Topic 6: Index models.
Topic 7: Behavioural finance and technical analysis.
Topic 8: Investment policies and portfolio planning.
Topic 10: Derivatives markets: introduction to futures and options.
Topic 11: Other financial derivatives.

ASSESSMENT:
• Assignment (Investment Report) (50%)
• Final Written Exam (50%)

READING LIST:

Additional readings will be provided during the course.