



# **Rotman** Commerce UNIVERSITY OF TORONTO

## **Course Outline**

### **RSM 230 H1 F**

Financial Markets

Fall 2010

Course Meets: L0101-Tuesdays, 8-10am, WO25; L0401-Tuesdays, 2:00-4:00, WO119; L5101-Tuesdays, 6:0-8:0pm, WO20

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Instructor: Laurence D. Booth, RT449  
E-Mail: booth @rotman.utoronto.ca  
Web: <http://www.rotman.utoronto.ca/-booth>  
Phone: (Home): 416-921-3472; (Office): 416-978-6311

### **Office hours**

I am in my office (449 Rotman) most of the time, particularly Tuesdays in between class times. 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 anytime during the day or drop by my office in the Rotman building. E-mail is especially useful if you have technical questions that need some thought.

### **Pre-requisites COM110H/RSM100Y**

### **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. Its most basic objective is that by the end of the course Rotman Commerce students can talk intelligently about current financial issues so that they will not be blind sided in a job interview. As most of you should be aware the world's economy is just beginning to pull out of a bad recession engendered by the worst financial crisis in over 70 years. As a result, financial issues are uppermost in the minds of most senior policy makers around the world.

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 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](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. It is also very important that Rotman Commerce students are aware of what is happening in both the economy and the markets. To this end, every week starting in week#3 (*except for the week of the mid term and the week following the mid term*), each group will send by email before Sunday night (Midnight) to the instructor *and* the lead TA (Vincenzo Tarantino [vince.tarantino08@alumni.utoronto.ca]) a copy of a short article downloaded from the web (Yahoo, Google, NY Times, Economist, Reuters etc) dealing with the material covered in the *previous* week in class and *no more than a one page* explanation of why they thought the article important. Depending on time constraints the instructor will call on some of these groups at the beginning of class to explain why they thought this particular article was relevant and its importance.

### **Course Announcements**

Power point slides, announcements, assignments and additional reading will be posted on Blackboard. Please check Blackboard frequently as posted readings are an integral part of this course. The instructor may also post some of the news articles submitted by students.

Additional office hours will be posted on Blackboard, as required, as well as information about tutorials & contact information for your TA.

### **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:***

Sean Cleary, The Canadian Securities Exam: Fast Track Study Guide, (3<sup>rd</sup> edition) John Wiley 2009.

### ***Supplementary Textbooks:***

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

Laurence Booth and Sean Cleary, Introduction to Corporate Finance, (2<sup>nd</sup> ed) John Wiley & Sons, 2010.

The Mishkin and Eakins (Mishkin) book is a great book and up to date, 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, so students will be expected to read the supplementary material. On the positive side the end of chapter problems are quite good (hint)

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

### **Grading**

|                                     |     |
|-------------------------------------|-----|
| News articles submitted (1.5% each) | 12% |
| Two problem sets:                   | 20% |
| Mid-Term:                           | 34% |
| Final Exam:                         | 34% |

The two assignments and the submission of articles should be done in groups of *no more* than four and no less than three students. Groups will be formed by the students in the class not the instructor, although he will act as a “market maker” if need be. There is a strong preference for the groups to consist of students from the same section of RSM230. Otherwise it is difficult for the TA to keep track of student grades. The only exception is if a group disintegrates after the drop date.

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.
- 3) Assignments and exam times etc are provisional and may be changed so check Blackboard regularly.

## **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 notice and documentation are received and approved in a timely manner.

### **Students must notify their instructor by email on the day of their missed exam.**

A medical certificate, employer's letter or other supporting evidence must be submitted to the Rotman Commerce office **within 48 hours** of the exam or 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.

**There will be no make-up mid-term exam.** Those who miss the midterm exam for valid documented reasons will have grades reallocated to their final exam.

**Submission of Assignments** - Late submission of any assignment, whether the problem set or news articles, will not be accepted unless there are valid medical reasons supported by a doctors' note. Students must email their instructor on the due date and provide documentation to the Rotman Commerce Office within 48 hours.

**Help with teams** - Ann Armstrong is Rotman Commerce's advisor on matters related to student teamwork. Ann serves as an ongoing resource to students throughout the academic year where a student team fails to function as a cohesive unit. In this case the team is advised to seek out advice and guidance from Ann as soon as possible. She is available during regular office hours at Rotman Commerce (Wednesdays 2:00-3:30pm WO13) or by appointment:

[armstron@rotman.utoronto.ca](mailto:armstron@rotman.utoronto.ca).

## **Course Work & Academic Honesty**

**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](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**

Course starts Tuesday September 14, 2010. All classes start at 10 minutes past the hour ***promptly*** and finish on the hour. The instructor will give a 5-10 minute break at a convenient time approximately mid way through the class. There is no class on Tuesday November 9 due to U of T's wacky schedule.

### **Session 1**                      **Capital Markets and the Financial System**

Main                                      Cleary Chapters 1 & 2; Chapter 3, pages 23-25

Supplementary:                      Booth-Cleary Chapter 1  
Mishkin Chapters 1 & 2

### **Session 2**                      **The Canadian Economy and the Bank of Canada**

Main:                                      Cleary Chapter 5  
Bank of Canada Fact Sheets & other readings (Posted on Blackboard)

Supplementary:                      Mishkin Chapters 7-8

### **Session 3**                      **Fixed Income Securities & the Money Market**

Main:                                      Cleary Chapter 6  
Supplementary:                      Mishkin Chapter 9

Problem Set# 1 to be posted on Blackboard- groups of 4 students

### **Session 4**                      **Fixed Income Securities – Finance Lab Class**

Exercises in the Rotman Finance Research and Trading Lab

Supplementary:                      Mishkin Chapters 3, 4,& 5

### **Session 5**                      **The Bond Market**

Main:                                      Cleary, Chapter 7 & Chapter 11 page 131 – 133

Supplementary:                      Mishkin Chapter 10

***ASSIGNMENT 1 due October 15, by 4 pm in the Rotman Commerce Office***

Session 6                      Canadian Banking

Main:                              Readings TBA (Posted on Blackboard)

Supplementary:              Mishkin Chapters 17 and 18

Session 7                      MIDTERM EXAM              TBA (Probably Fri Oct 29)

Session 8                      Equity Markets

Main:                              Cleary, Chapter 3, pages 26-29;  
Cleary, Chapter 8 (Omit Convertibles, Retractable Preferreds & COPS)  
Cleary, Chapter 9, Chapter 11 pages 134, 135 & 138  
Cleary, Chapter 13, Chapter 14 pages 170, 171 & 181-183

Supplementary:              Mishkin Chapter 6 and 11

Problem Set #2 to be posted on Blackboard- groups of 4 students

Session 9                      Mutual Funds, Insurance and Other Managed Products

Main:                              Cleary Chapters 17, 18 & 19 pages 240-246  
Cleary Chapter 20 pages 257-261 & 263-264;  
Chapter 21 page 271  
Exchange Traded Funds – FAQ & Understanding PPN's  
(articles posted on Blackboard)

Supplementary:              Mishkin Chapter 21 and 22

Session 10                      Valuing Equities – Finance Lab Class

Exercises in the Rotman Finance Research and Trading Lab

Session 11                      Portfolio Management

Main:                              Cleary Chapters 15 and 16

***ASSIGNMENT 2 due December 3, by 4 pm in the Rotman Commerce Office***

Session 12

Derivative Securities

Main: Cleary Chapter 10 (Omit "Rights and Warrants

Supplementary: Mishkin Chapter 25





# Rotman Commerce UNIVERSITY OF TORONTO

Course Number: RSM \_\_\_\_\_

Lecture Section #: \_\_\_\_\_

Course Name: \_\_\_\_\_

Professor Name: \_\_\_\_\_

Assignment Title: \_\_\_\_\_

**Team Members – FIRST NAMES ONLY:**

*Example:*

1. *Jennifer* \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

6. \_\_\_\_\_

In submitting this team project or assignment for grading, we confirm:

- That the work is original, and due credit is given to others where appropriate.
- That all members have contributed substantially and proportionally to each group assignment.
- That all members have sufficient familiarity with the entire contents of the group assignment so as to be able to sign off on them as original work.
- Acceptance and acknowledgement that the team is collectively responsible for assignments found to be plagiarized in any way, and every member will be subject to sanctions under the University's Code of Behaviour on Academic Matters.

Each group member must check the box below and record her/his student number to indicate that they have read and abide by the statements above. *Example:*

[  ] 999999900 \_\_\_\_\_

[  ] \_\_\_\_\_

[  ] \_\_\_\_\_

[  ] \_\_\_\_\_

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