



<b>Course Code</b> FIN-534	<b>Course Title</b> Financial Markets and Alternative Investments	<b>Credits (ECTS)</b> 10
<b>Department</b> School of Business	<b>Semester</b> Fall/Spring/Summer	<b>Prerequisites</b> FIN-512, FIN-521
<b>Type of Course</b> Elective	<b>Field</b> Finance	<b>Language of Instruction</b> English
<b>Level of Course</b> 2 <sup>nd</sup> cycle	<b>Year of Study</b> 2 <sup>nd</sup>	<b>Lecturer</b> Dr Svetlana Sapuric

### **Objectives of the Course:**

This course aims to provide a conceptual understanding of the function of financial markets, the flow of funds, levels of interest rates and time value of money. It will analyse the institutional framework through a discussion of the theoretical background to the structure and performance of the financial system, and the role, goals and decision-making process of financial intermediaries participating in financial markets' operations. The course provides both a theoretical and practical look into the world of managing alternative investments and the integration of digital currencies (DC) in financial markets and various alternative investment vehicles.

### **Learning Outcomes:**

On completion of this course, students should be able to:

- Demonstrate how the financial markets operate;
- Analyze the structure and operation of financial institutions participating in the financial markets;
- Work with basic types of investment instruments on international financial markets and the integration of digital currencies;
- Orient themselves among the most important institutions and segments on international financial markets;
- Apply different company valuation techniques to determine share prices and study digital currency exchanges;
- Describe the characteristics of different types of debt securities and be able to price them;
- Apply analytical skills to specific problems and issues related to financial

markets and alternative investments;

- Gain an understanding of the characteristics of derivatives instruments (futures and options contracts), along with the application of the digital currencies, the different motivations for their use and how they are traded;
- Characterize the common features of alternative investments, the types of digital currency investments and their markets;
- Distinguish among the principal classes of alternative investments and apply valuation techniques to price alternative investments.

### Course Contents:

Lecture	Topic
1	<b>An Overview of Financial Instruments</b> <ul style="list-style-type: none"><li>➤ differentiate between primary and secondary markets</li><li>➤ differentiate between money and capital markets</li><li>➤ understand what derivative security markets are</li><li>➤ recognize that financial markets are becoming increasingly global through the use of DC</li></ul>
2	<b>International Equity Markets</b> <ul style="list-style-type: none"><li>➤ overview of international capital markets</li><li>➤ differences in market organization and trading procedures</li><li>➤ stock market indexes and digital currency exchanges</li><li>➤ equity funds: open funds, closed funds, exchange traded funds</li><li>➤ international equity analysis</li></ul>
3	<b>Global Bond Markets</b> <ul style="list-style-type: none"><li>➤ theoretical structure of international bond markets</li><li>➤ analysis of Eurobonds, Foreign Bonds and Sovereign Bonds</li><li>➤ legal and fiscal aspects</li><li>➤ international bond valuation</li><li>➤ Bitcoin debt instrument: Fidelity Bond</li></ul>
4	<b>Money Markets</b> <ul style="list-style-type: none"><li>➤ understand the concept and characteristics of money markets</li><li>➤ identify the major types of money market securities</li><li>➤ examine the process used to issue Treasury securities</li><li>➤ determine the main participants in money markets</li><li>➤ understand the major developments in Euro money markets</li></ul>

5	<p><b>Derivative Markets</b></p> <ul style="list-style-type: none"> <li>➤ understand the features of derivative securities markets</li> <li>➤ distinguish between forward and future contracts</li> <li>➤ understand how a futures transaction is conducted</li> <li>➤ identify information that can be found in a futures quote</li> <li>➤ identify the biggest derivative securities market globally</li> <li>➤ discuss the Bitcoin derivative market</li> </ul>
6	<p><b>Valuation of Equity Securities</b></p> <ul style="list-style-type: none"> <li>➤ learn to value different types of equity securities</li> <li>➤ analyze the expected cashflows, riskiness of dividend stream</li> <li>➤ examine the Gordon Growth Model and the Price Earnings Valuations</li> </ul>
7	<p><b>Valuation of Debt Securities</b></p> <ul style="list-style-type: none"> <li>➤ learning to value different debt securities (coupon and discount bonds)</li> <li>➤ understand the concepts of current yield, yield-to-maturity, face value, etc.</li> <li>➤ examine the relationship between yields and current prices of bonds</li> <li>➤ determine the importance of credit risk and credit ratings</li> </ul>
8	<p><b>Valuation of Derivatives: Options</b></p> <ul style="list-style-type: none"> <li>➤ recognize what option contracts are</li> <li>➤ examine information found in an options quote</li> <li>➤ know the main regulators of futures and options markets</li> <li>➤ examine the valuation process of options</li> </ul>
9	<p><b>Alternative I: Commodities</b></p> <ul style="list-style-type: none"> <li>➤ understand the concepts and characteristics of commodities</li> <li>➤ why invest in commodities</li> <li>➤ historical return/risk characteristics</li> <li>➤ determine how to get exposure to commodities</li> <li>➤ understand the relationship between the bitcoin and commodity market</li> </ul>
10	<p><b>Alternative II: Real Estate</b></p> <ul style="list-style-type: none"> <li>➤ learn the real estate investment sectors and strategies</li> <li>➤ study the historical risk/return characteristics</li> <li>➤ The case of RealtyShares: first Bitcoin real-estate platform</li> </ul>

11	<p><b>Alternative III: Hedge Funds</b></p> <ul style="list-style-type: none"> <li>➤ examine the background and evolution of hedge funds and determine the differences between conventional mutual funds</li> <li>➤ study the risk/return characteristics</li> <li>➤ determine the various trading strategies of hedge funds</li> <li>➤ the Bitcoin Hedge Fund</li> </ul>
12	<p><b>Offshore Financial Centres</b></p> <ul style="list-style-type: none"> <li>➤ analyse what an Offshore Financial Centre (OFC) is and who are the major participants</li> <li>➤ determine the importance of OFCs and how they foster economic growth</li> <li>➤ examine the taxonomy of global initiatives and the implications of compliance/non-compliance</li> </ul>

**Learning Activities and Teaching Methods:**

Presentations, case study analyses and weekly exercises
---

**Assessment Methods:**

Assignment 1: Case Study Analysis 1	25%
Assignment 2: Case Study Analysis 2	25%
Final Exam	50%

**Recommended Textbooks/Reading:**

Authors	Title	Publisher	Year	ISBN
Mishkin F. and Eakins S.	Financial Markets and Institutions, 6th edition	Pearson Education	2008	978-0-321-55211-2
Fabozzi, F. J., Modigliani, F. and Jones, F. J.	Foundations of Financial Markets and Institutions	Pearson	2010	978-0-13-135423-4
Saunders, A. and Cornett, M.	Financial Markets and Institutions	McGraw-Hill	2012	978-007-1086754-5
Howells P. and Bain K.	Financial Markets and Institutions, 5 <sup>th</sup> edition	FT Prentice Hall	2007	978-0-273-70919-0
Buckley A.	Multinational Finance, 5 <sup>th</sup> edition	FT Prentice Hall	2003	978-0-273-68209-7
Anson, M.J.P.	Handbook of Alternative Assets	John Wiley and Sons	2006	

The <i>Financial Times</i> , the <i>Wall Street Journal</i> and <a href="http://bitcoinwatch.com">http://bitcoinwatch.com</a> is recommended reading for this course. Furthermore, additional material will be
--

provided throughout the duration of the course.

Some of the journal articles that will be covered during the course are:

- Angel, J. and McCabe, D. (2014), The Ethics Of Payments: Paper, Plastic or Bitcoin?, *Georgetown University Working Paper Series*.
- Grinberg, R. (2012), Bitcoin: An Innovative Alternative Digital Currency, *Hasting Science and Technology Law Journal*, Vol. 4 (1).
- Luther, W. and Olson, J. (2013), Bitcoin is Memory, *Ohio University Working Paper Series*.

