

MODULES AND SUBJECTS

MÁSTER UNIVERSITARIO EN GESTIÓN EMPRESARIAL
UNIVERSITY MASTER IN MANAGEMENT

MODULE NAME:		FINANCIAL MARKETS (FINANCE AND ACCOUNTING)			
SEMESTER	2	TYPE	SPECIALISM	ECTS	
FACULTY		Mr. Alejandro Alcaraz Prof. Emilios Galariotis Dr. Gavin Kretzschmar			

SKILL PROFILE

BASIC SKILLS		TRANSVERSAL SKILLS		GENERAL SKILLS		SPECIFIC SKILLS	
CB 6	X	CT 1	X	CG 1		CE 1	
CB 7	X	CT 2	X	CG 2	X	CE 2	X
CB 8		CT 3	X	CG 3	X	CE 3	
CB 9	X	CT 4	X	CG 4	X	CE 4	
CB 10	X	CT 5	X	CG 5	X	CE 5	X
		CT 6	X	CG 6	X	CE 6	X
		CT 7	X	CG 7	X	CE 7	
				CG 8		CE 8	
				CG 9	X	CE 9	
				CG 10	X	CE 10	X
						CE 11	X
						CE 12	

OBJECTIVES

This module is divided into three separate subjects:

Financial Markets, which aims to provide a strong understanding of financial markets and the main types of products traded within these markets. The course will focus on the money markets, the foreign exchange markets and fixed income markets. Students will learn how instruments are priced, how they are traded, and how they are used to hedge financial risks.

Derivatives, which aims to provide a strong understanding of derivative markets and the main types of products traded within them. The course will focus on forwards, futures, options and swaps related to interest rate, foreign exchange, equity and commodity markets.

Portfolio management, which aims to give insight into Portfolio planning, implementation (capital/asset allocation and security selection), performance evaluation, and rebalancing. This section will cover all these steps, discussing their interrelationships. In doing so we will discuss alternative approaches to portfolio management and investments (active vs. passive, bottom up vs. top down etc.). For example, we may discuss momentum, contrarian and other active portfolio investment strategies that are based on behavioral portfolio management.

LEARNING OBJECTIVES

- Acquires a solid understanding of equities and financial markets and the main types of products traded in these markets.
- Understands what equities are, they are with emphasis on fundamental and technical analysis.
- Learns how to trade equities and how a financial manager can take advantage of these instruments.
- Understands the operation of money markets, currency markets and fixed income markets.
- Learns how instruments are priced, traded, and used to hedge financial risks.
- Develop a strong understanding of derivative markets and the main types of products traded within them.
- Understand forwards, futures, options and swaps related to interest rate, foreign exchange, equity and commodity markets.
- Understands how instruments are priced, how they are traded and how they are used to generate profits and hedge financial risks.
- Understands key issues in capital/asset allocation, portfolio composition and management
- Develops the ability to critically understand portfolio theory and its implications.

CONTENTS

FOREIGN EXCHANGE MARKETS

- Global description of financial markets, instruments and asset classes.
- Relationships between economic cycle and financial markets.
- Central banks and monetary policy.
- Foreign exchange markets:
 - -Market structure.
 - -Main drivers.

- -Spot rates.
 - -Cross rates.
 - -Forward rates: how to invest in currencies
- Hedging currency risk.
- Taking investment decisions using technical analysis.

EQUITY MARKETS

- Equities as an investment alternative.
- Organization and structure of the stock exchange.
- Issuers, investors and brokers.
- Types of transactions:
 - Primary and secondary markets.
 - IPO.
 - Takeover bids.
 - Capital increases.
 - Splits and reverse splits.
- Valuing equities (Fundamental Analysis):
 - Valuing common stocks.
 - Top-down and bottom-up approach.
 - Growth versus value stocks.
 - Dividend discount model and Gordon-Shapiro.
 - Ratios: price earnings ratio, dividend yield ratio, earnings yield gap, price to book value, ROE, ROA, etc.
- Valuing equities (Technical Analysis):
 - Technical analysis and trading.
 - Looking into charts in order to predict market trends.
 - Trading platforms to trade equities.
- Equity portfolios:
 - Risk of stocks and equity portfolios.
 - Normal distribution of returns in equities.
 - Correlation.
 - Alternatives to get equity exposure: CFD, ETF, etc.

DERIVATIVES

- Active management of financial risk: how to manage volatility and uncertainty.
 - Market operations: forward transactions versus spot transactions.
 - Exchange traded products (ETP) versus over-the-counter products (OTC).
 - Futures market:
 - Contract specifications.
 - Leverage and amplification factor.
 - Speculation: long and short.
- Futures market:
 - Hedging risks using futures contracts: the case for commodity and equity markets.
 - Hedge ratio; calculations implied in the hedging process.
 - Arbitrage opportunities: theoretical value of a futures contract (basis trading). Contango and backwardation.

- Options market:
 - Plain vanilla strategies: long/short positions on call/put options.
 - Risk/reward of each strategy.
- Introduction to options valuation:
 - Intrinsic and time value; time decay.
 - Black&Scholes and more advanced models. Using options calculator.
 - The Greeks: delta, vega, theta and rho.
- Hedging foreign exchange risk: export and import.
 - Using FX derivatives: forwards, futures and options.
- Hedging interest rate risk: borrowing and lending.
 - Introduction to forward interest rates.
 - Using IR derivatives: FRA, SWAP, options (caps, collars and floors).
 - Popular complex strategies: strangle, straddle, butterfly, ...

PORTRFOIO MANAGEMENT

- Introduction to asset pricing, portfolio theory and portfolio mathematics (risk, return, correlation, covariance etc.)
- Asset allocation, security selection and index models
- Portfolio Performance Evaluation.
- Market Efficiency, active & passive portfolio management

METHODOLOGY

The course has been designed on three levels in order to promote understanding and the implementation of the basic concepts (Interactive Learning Process). The syllabus has therefore been designed to include:

1. A theoretical level: Theoretical concepts are formally presented and then applied by means of examples. In order to do so, students will be provided with materials that are used in class to develop each subject.
2. A self-learning level: Students will be given reading assignments on both theoretical and research contents which will provide them with in depth knowledge of the topics that are covered in class.
3. A relational or group level: The course makes use of the case study methodology whereby students working in groups can analyze, propose and put forward solutions to the cases they have been assigned.

EVALUATION

The final evaluation will be calculated as follows:

1. Class participation: quality, consistency and feedback. (30% min* - 40% max).
2. Specific evaluation tests: exams. (40% min - 50% max)
3. Carrying out work or projects (10% min –30% max)

In the event of a new health emergency that involves confinement, the activities and evaluation weights will not be altered. In case they cannot be done in person, they will be transferred to a virtual environment. Due to the difficulties in correctly evaluating participation in online

environments, EADA may reduce the weighting of this component of the evaluation due to the current pandemic circumstances.