

**COURSE DATA****Data Subject**

Code	35895
Name	International financial markets
Cycle	Grade
ECTS Credits	6.0
Academic year	2019 - 2020

Study (s)

Degree	Center	Acad. year	Period
1314 - Degree in International Business	Faculty of Economics	3	First term

Subject-matter

Degree	Subject-matter	Character
1314 - Degree in International Business	13 - International markets and finance	Obligatory

Coordination

Name	Department
SANCHIS MARCO, MANUEL	132 - Economic Structure

SUMMARY

For students of the International Business degree, this course relates to the functioning of the financial markets and institutions worldwide, as well as within the context of the European Union. It is organised in two parts. Part I relates to financial instruments and systems, and it starts with the basics concepts and an overview on interest rates, money and capital markets, and financial institutions and systems. Part II relates to international financial markets and the European financial integration, with a special focus on the global financial crisis and the Eurozone crisis.

After accomplishment of the course, students should be able to be fully competent in the managing of the following concepts and knowledge:



- (i) nature and variety of financial intermediation;
- (ii) risk, understanding, behaviour and term-structure of interest rates;
- (iii) what, how and why of financial intermediaries;
- (iv) financial contracts, regulation of markets and institutions;
- (v) central banking: instruments and strategies; and,
- (vi) global financial crisis of 2007-2009: causes and lessons to be learned.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

OUTCOMES

1314 - Degree in International Business

- Know how international financial markets work.
- Tomar conciencia de la importancia de la función financiera en el desarrollo internacional de una empresa.
- Detectar oportunidades y amenazas de los distintos mercados financieros internacionales.
- Aprender los conceptos financieros esenciales para estudiar y trabajar sobre/en los mercados financieros actuales.
- Conocer los principales mercados financieros internacionales y su evolución reciente.
- Aprender las características, utilidad y forma de articulación en la práctica de los activos financieros internacionales.
- Comprender el funcionamiento, la importancia y la problemática de los procesos y agencias de calificación crediticia.
- Comprender las relaciones existentes entre tipos de interés, tipos de cambio e inflación.



LEARNING OUTCOMES

1. Basic knowledge of the role, functioning and problems of regulation of financial markets
2. Ability to develop a critical view of the strategic and regulatory dimension characterizing international financial markets.
3. Ability to perform a critical interpretation of financial reports, public and private
4. Ability to discriminate and choose between financial instruments to achieve a specific goal.

DESCRIPTION OF CONTENTS

1. PART I: FINANCIAL INSTRUMENTS AND MARKETS

CHAPTER 1: Back to Basics

-PART I: FINANCIAL INSTRUMENTS AND MARKETS

CHAPTER 1: Back to Basics

- 1.1 An overview of the financial system
- 1.2 Flow of funds between savers and borrowers in a modern macroeconomy
- 1.3 Financial instruments and markets
- 1.4 What is financial intermediation?

References:

1. Greenbaum, Stuart I.; and Thakor, Anjan V. (20072): Contemporary Financial Intermediation, Elsevier, Amsterdam-Boston-Heidelberg-London, Chap. 2, pp. 38-89; Chap. 3, pp. 91-124.
2. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 2, pp. 67-93.
3. Ritter, Lawrence S.; Silber, William, L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley, New York-Boston-San Francisco, Chap. 3, pp. 31-48.

2. CHAPTER 2: Understanding Interest Rates

CHAPTER 2: Understanding Interest Rates

- 2.1 Interest rate measurement and behaviour
- 2.2 The risk and term structure of interest rates: yield curves
- 2.3 The structure and performance of securities markets: efficient market hypothesis
- 2.4 The economic uncertainty and risk premium

References:

1. Greenbaum, Stuart I.; and Thakor, Anjan V. (20072): Contemporary Financial Intermediation, Elsevier, Ams



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References:

1. Greenbaum, Stuart I.; and Thakor, Anjan V. (20072): Contemporary Financial Intermediation, Elsevier, Amsterdam-Boston-Heidelberg-London, Chap. 4, pp. 127-167.
2. Hernández-López, M. (1971): La structure des taux d'intérêt d'après les termes. Recherches Économiques de Louvain n° 5, décembre, pp. 539-583.
3. Kröger, Jürgen ; Sanchis i Marco, Manuel (1989): Las curvas de rendimiento en España: nuevas posibilidades de un instrumento analítico. Documento de Trabajo 34, Fundación FIES, Madrid, 17 pp.
4. Loubergé, Henri (1991): Risk, information and insurance: essays in the Memory of Karl H. Borch. Kluwer Academic Publisher, Boston-Dordrecht-London, 274 pp.
5. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 4, pp. 108-129; Chap. 5, pp. 130-159; Chap. 6, pp. 160-182; Chap. 7, pp. 183-202.
6. Ritter, Lawrence S.; Silber, William, L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley, New York-Boston-San Francisco, Chap. 4, pp. 51-74; Chap. 5, pp. 75-92; Chap. 6, pp. 93-106. Chap. 7, pp. 107-118.
7. Sen, Amartya (2004): Rationality and Freedom. The Belknap Press of Harvard University Press, Cambridge-London, Chap. 6, pp. 225-244.

4. CHAPTER 4: Financial Institutions

- 4.1 Why do banks need a Central Bank?
- 4.2 Depository financial institutions: bank management and major trends
- 4.3 Non-depository financial institutions: insurance companies and pension funds; mutual funds; finance companies; securities brokers and dealers and investment banks; venture capital funds, mezzanine debt funds and hedge funds
- 4.4 How business obtain financing: market oriented vs. banking oriented system

References:

1. Bank for International Settlements (2009): Strengthening the resilience of the banking sector. Basel Committee on Banking Supervision Consultative Document, BIS, Basel, 72 pp.
2. Blinder, Alan (1998): Central Banking in Theory and Practice. MIT Press, Cambridge, 92 pp.
3. Brunner, Karl; Metzler, Alan (1985): Understanding monetary regimes. Carnegie-Rochester Conference Series on Public Policy, vol. 2, Spring, North-Holland, pp. 1-7.
4. Buiter, W: (2008): Can Central Banks go Broke?. Policy Insight n° 24, Centre for Economic Policy Research, London, 12 pp.
5. European Central Bank (2011): The Monetary Policy of the ECB. European Central Bank, Frankfurt am Main, 159 pp.
6. Federal Reserve, The (19852): The Federal Reserve System: Purposes and Functions. The Federal Reserve, Washington, D.C., 120 pp.



7. Goodhart, Charles A.E. (1995): The Central Bank and the Financial System. Macmillan, London, Chap. 1, pp. 3-18; Chap. 9, pp. 205-215.
8. Greenbaum, Stuart I.; and Thakor, Anjan V. (20072): Contemporary Financial Intermediation, Elsevier, Amsterdam-Boston-Heidelberg-London, Chap. 15, pp. 587-607.
9. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 11, pp. 265-293.
10. Ritter, Lawrence S.; Silber, William, L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley, New York-Boston-San Francisco, Chap. 12, pp. 213-242; Chap. 13, pp. 243-168; Chap. 14, pp. 261-284.
11. Stiglitz, J.E.; Greenwald, B. (2003): Towards a New Paradigm in M

5. CHAPTER 5: Financial Systems

- 5.1 Financial systems design: banking-oriented vs. market-oriented systems
- 5.2 Banking-oriented systems: Germany, Japan, and Spain
- 5.3 Market-oriented financial systems: The UK financial system
- 5.4 The structure of the US commercial banking industry
- 5.5 Separation of the banking and other financial service industries

References:

1. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 13, pp. 321-352.
2. Ritter, Lawrence S.; Silber, William, L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley, New York-Boston-San Francisco, Chap. 16, pp. 307-326.

6. PART II: INTERNATIONAL FINANCIAL MARKETS AND EUROPEAN FINANCIAL INTEGRATION

CHAPTER 6: International Financial Markets

- 6.1 Market segmentation
- 6.2 Main products in international financial markets
- 6.3 Main international financial markets
- 6.4 The birth and role of the Eurocurrency markets

References:

1. Greenbaum, Stuart I.; and Thakor, Anjan V. (20072): Contemporary Financial Intermediation, Elsevier, Amsterdam-Boston-Heidelberg-London, Chap. 15, pp. 587-607.
2. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 11, pp. 265-293.
3. Ritter, Lawrence S.; Silber, William, L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley, New York-Boston-San Francisco, Chap. 15, pp. 285-306.



7. CHAPTER 7: Operations in International Financial Markets

- 7.1 Operation for non-residents
- 7.2 Syndicated loans
- 7.3 Secondary market for sovereign debt
- 7.4 Notes

References:

1. Burda, Michael; Wyplosz, Charles (1993): *Macroeconomics. A European Text*. Oxford University Press, Oxford, Chap 19, pp. 423-452.
2. Di Cesare, A.; Grande, G.; Manna, M.; and Taboga, M. (2012): Recent estimates of sovereign risk premia for euro-area countries. *Questioni di Economia e Finanza Occasional Papers* n°. 128, Banca d'Italia, September, 39 pp.
3. European Central Bank (2010): Report on the lessons to be learned from the financial crisis with regard to the functioning of European financial markets infrastructures. European Central Bank, Frankfurt am Main, April, 30 pp.
4. Greenbaum, Stuart I.; and Thakor, Anjan V. (2007): *Contemporary Financial Intermediation*, Elsevier, Amsterdam-Boston-Heidelberg-London, Chap. 7, pp. 279-291; Chap. 8, pp. 295-344.

8. CHAPTER 8: Rating Agencies

- 8.1 The role of rating agencies
- 8.2 The Big Three: Moody's Investors Service, Standard&Poors, Fitch Rating
- 8.3 Methodology of Moody's default definition and its application to sovereign debt
- 8.4 Default management: practical experience during the crisis and main lessons from the crisis

References:

1. Burda, Michael; Wyplosz, Charles (1993): *Macroeconomics. A European Text*. Oxford University Press, Oxford, Chap 19, pp. 423-452.
2. Mishkin Frederic S. (2013): *The Economics of Money, Credit and Financial Markets*. Pearson, Global Edition, Chap 6, 160-164.
3. Moody's (2011): *Moody's Default Definition and its Application to Sovereign Debt*. Special Comment, Moody's Investors Service, 5 pp.

9. CHAPTER 9: Global Financial Crisis

- 9.1 Exchange rate regimes: the ERM and the impossible trilogy
- 9.2 Great Recession: lessons that can be learned
- 9.3 From financial to debt crisis: the weaknesses of the Euro at sight
- 9.4 European Financial Stability Facility (EFSF); European Financial Stability Mechanism (EFSM); European Stability Mechanism (ESM)
- 9.5 The Euro Project: the economic and political rationales are conflicting
- 9.6 Alternative scenarios to save the Euro: the quest for an European approach

References:



1. Akerloff, George A.; Schiller, Robert J. (2009): *Animal Spirits*. Princeton University Press, Princeton-Oxford, 230 pp.
2. Bank for International Settlements (2010): *The Basels Committees response to the financial crisis: report to the G20*. Basel Committee on Banking Supervision, BIS, Basel, 15 pp.
3. Burda, Michael; Wyplosz, Charles (1993): *Macroeconomics. A European Text*. Oxford University Press, Oxford, Chap. 18, pp. 383-422; Chap 19, pp. 423-452.
4. Krugman, Paul (1999): *The return of depression economics*. Allen Lane The Penguin Press, Bath, 176 pp.
5. Laeven, L.; Valencia F. (2012): *Systemic Banking Crisis Database: An update*. IMF Working Paper WP/12/163, IMF, Washington, D.C., June, 32 pp.
6. Mishkin Frederic S. (2013): *The Economics of Money, Credit and Financial Markets*. Pearson, Global Edition, Chap. 12, pp. 294-320.
7. Reinhart, Carmen; Rogoff, Kenneth (2009): *This Time is Different. Eight Centuries of Financial Folly*. Princeton University Press, Princeton. Spanish version in Reinhart, Carmen; Rogoff, Kenneth (2009): *Esta vez es distinto: ocho siglos de necedad financiera*. Fondo de Cultura Económica, México, Chap. 13, pp. 227-246.
8. Ross Sorkin, Andrew (2010): *Malas Noticias*. Also in English as *Too big to fail*, Planeta, Barcelona, 595 pp.
9. Sanchis i Marco, M. (2013): *The Economics of the Monetary Union and the Eurozone Crisis*. Springer Brief in Economics, Springer, Heidelberg, Chap. 1, pp. 1-13; Chap. 2, pp. 15-30; Chap. 3, pp. 31-42

10. CHAPTER 10: European Financial Integration

- 10.1 Institutional framework of capital market integration
- 10.2 European financial services
 - 10.2.1 Banking and credit services
 - 10.2.2 Insurance services
 - 10.2.3 Brokerage and securities services
- 10.3 Main elements of the Banking Union in the Eurozone
 - 10.3.1 Deposit guarantee funds
 - 10.3.2 Mechanism for bank crisis resolution: common rules for bank bailouts through direct recapitalisation by the European Stability Mechanism (ESM)
 - 10.3.3 Single Supervisory Mechanism: banking regulation and prudential supervision

References:

1. Abraham, J.P. (2003): *Monetary and Financial Thinking in Europe*. SUERF Studies nº. 2003/3, Vienna, 248 pp.
2. Bank for International Settlements (2010): *The Basels Committees response to the financial crisis: report to the G20*. Basel Committee on Banking Supervision, BIS, Basel, 15 pp.
3. Bank for International Settlements (2009): *Strengthening the resilience of the banking sector*. Basel Committee on Banking Supervision Consultative Document, BIS, Basel, 72 pp.
4. Caixa, La (2012): *La unión bancaria en la zona del euro*. Informe Mensual nº. 360, La Caixa, septiembre, 72 pp.
5. Dale, Richard (1992): *Capital adequacy and European financial markets*, in Steinherr, A. (1992):



The new European financial market place. Longman, London-New York, pp. 147-159.

6. Hochreiter, Eduard H.; Llewellyn David T. (2004): European Monetary and Financial Integration: evolution and prospects. SUERF Studies nº. 2004/2, Vienna, 80 pp.

7. Mishkin Frederic S. (2013): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, Chap. 19, pp. 500-532.

8. Vetter, S. (2013): Do all roads lead to fiscal union?. Options for deeper fiscal integration in the eurozone. EU Monitor European Integration., Deutsche Bank, Frankfurt am Main, 15 pp.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of individual work	10,00	0
Study and independent work	25,00	0
Readings supplementary material	15,00	0
Preparation of evaluation activities	10,00	0
Preparing lectures	10,00	0
Preparation of practical classes and problem	20,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

The course explains, in a dialogic way, the underlying economic rationale of each topic and invites the student to take part in the discussion. The purpose goes beyond the blunt transmission of information and knowledge, as it aims at preparing the students to think on the subject matter. Concerning the practical lessons, they will help to go into the details of the fundamental concepts put forward in the theoretical lessons.

EVALUATION

The final evaluation will consist of a written exam (70%) and assessment on practical presentations by students and students' active participation in the classroom debates (30%).

REFERENCES



Basic

- 1. Greenbaum Stuart I.; Thakor Anjan V. (20072): Contemporary Financial Intermediation. Elsevier, Amsterdam-Boston-Heidelberg-London, 643 pp.
- 2. Mishkin Frederic S. (201310): The Economics of Money, Credit and Financial Markets. Pearson, Global Edition, 726 pp.
- 3. Ritter, Lawrence S.; Silber, William L.; and Udell, Gregory F. (200912): Principles of money, banking and financial markets. Addison-Wesley Series in Economics, New York-Boston-San Francisco, 617 pp.
- 4. Sanchis i Marco, M. (2013): The economics of monetary union and the eurozone crisis. Springer Brief in Economics, Springer, Heidelberg, 111 pp.

ADDENDUM COVID-19

This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council

English version is not available