

**FIN 3560**  
**FINANCIAL MARKETS AND INSTRUMENTS**  
Syllabus

Fall 2021  
Section 01, MW 12:00 – 1:30 pm, Horn 164  
Section 02, MW 2:00 – 3:30 pm, Horn 164  
<http://faculty.babson.edu/goldstein>

as of August 17, 2021

Dr. Michael A. Goldstein  
office hrs: by appointment  
Office: Tomasso 320, tel: (781) 239-4402  
[Goldstein@babson.edu](mailto:Goldstein@babson.edu)

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**I. Course Objective**

This course is for those students who are interested in learning more about financial markets, instruments, and institutions. We will examine a myriad of financial markets, the instruments that trade on them, and the financial and governmental institutions that use or support these markets. In particular, we will cover interest rates, equity markets, the money, capital and mortgage markets, the foreign exchange market, the Federal Reserve, and some derivative markets.

The course will be taught as a mixture of lecture and class discussion. There will be a bit of cold calling at times, so it is best if you volunteer. To provide a unifying theme and to demonstrate the interconnectivity of the financial system, we will relate each chapter to the workings of the securities markets through that day's *The Wall Street Journal* throughout the course.

**II. Course and Program Learning Objectives:**

This course will help you with Quantitative and Information Analysis, as well as Rhetoric and Critical and Integrative Thinking. Our class discussion will cover Global and Multicultural Perspectives. By the end of this course, students should be able to:

- Calculate and use effective annual rates (EAR or EAY) appropriately when discounting
- Understand term structure, and how to calculate forward rates and estimate future spot rates
- Value bonds and stocks, including between payments
- Calculate and derive duration and understand its use
- Value a mortgage
- Use foreign exchange spot rates and forward rates to calculate Covered Interest Parity
- Understand futures, forwards, and options and their payoffs
- Determine the interest rate risk of a bank or financial institution
- Derive/Calculate the number of interest rate futures a bank needs to buy/sell to dynamically hedge its asset/liability interest rate exposure due to its duration gap

**III. Required Text:**

1. We are going to use the following book:

- **Financial Markets and Institutions : A Modern Perspective** (8th Edition), by Anthony Saunders, Marcia Million Cornett, and Otgontsetseg Erhemjamts, Irwin/McGraw-Hill, copyright 2022

The cheapest way to get access to the book is to RENT the eBook. You can either rent it for 180 days or lifetime. Doing so also gives you access to the ReadAnywhere App. You can also rent a textbook or get a looseleaf edition. See your choices at:

<https://www.mheducation.com/highered/product/financial-markets-institutions-saunders-cornett/M9781260772401.html>

2. Highly recommended reading: **Obscene Gestures of an Invisible Hand: Financial Doom and the Death of Culture - The Lighter Side**, by Jeffrey J. Trester, copyright 2004
3. **You also need to read *The Wall Street Journal*. EVERY DAY.**
4. There are a variety of materials on my website (see URL above) as well as Canvas which are also related to the class that you will need or will be helpful.

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#### IV. Course Work and Grades

Finance is not an easy subject, and **this is not an easy class**. You will need to think, study, practice the problems at the end of the chapters, and be prepared for class to do well in this course. On the other hand, if you are willing to put in some time and effort, you should find the class quite rewarding.

There will be a midterm, a group project (which I will treat like a midterm in terms of grading) and a final. The second midterm will be a group term paper on a selected topic; it may be submitted to Turnitin or something equivalent. In addition, there will also be homework for you to do on your own. Thus, no one score will determine your overall grade in the class. **All** class members are expected to participate actively in the class.

The *initial* calculation for the course grade will use the weights below, although outstanding good (or bad) class participation may, at my option, be recognized by an increase (decrease) of a half grade or more, at my sole discretion:

Participation, Initiative, Professionalism, and Improvement (PIPI)	15%
Midterm 1	25%
Midterm 2 (Group Paper)	25%
Final	35%

All work and exams are cumulative. If an emergency or illness should force you to miss an examination or assignment/homework deadline, you *must* contact me *before* the test is given or the assignment is due.

NOTE: Dr. Goldstein reserves the right to change any aspect at any time, including, but not limited to, assignments, grading methods or relative grading weights, assignment or exam dates, or the course schedule. However, FINAL EXAMS may not be rescheduled.

#### Accommodations/Disabilities:

**Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately and in a timely fashion to discuss his or her specific needs. Students must also contact the Director of Disability Services at 781-239-5509 or in Hollister Hall 122 to coordinate reasonable academic accommodations.**

#### Religious Observances:

*Any student who faces a conflict between the requirements of this course and the observance of his or her religious faith should contact the instructor as early in the semester as possible. In such event, the instructor will provide reasonable accommodations that do not unduly disadvantage the student.*

#### V. Academic Honesty and Integrity

*The standards and expectation of the Babson Honor Code and its academic honesty and integrity policies apply to this course as well as to any other course you are taking here. The policy is articulated in your Undergraduate Handbook. Failure of any student to take appropriate steps to fully understand the Code will not be an acceptable nor tolerated excuse for any violations.*

You can find some information related to the Babson Honor Code at:

<http://www.babson.edu/undergraduate/student-life/community-standards/pages/honor-code.aspx>.

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All students have an **obligation to act** according to the Babson Honor Code. Students may be required to affirm their understanding of and commitment to the Babson Honor Code by writing the following honor code pledge on every exam, paper, project, or other academic exercise:

*“I pledge my honor that I have neither received nor provided unauthorized assistance during the completion of this work.”*

## **VI. Course Policies:**

Please refer to the Undergraduate Student Handbook for the College’s policies on lateness, absenteeism, and excuses. Those are all in effect.

Generally speaking, however, it is your responsibility to get out of class what you can and not disturb others around you. It is very important to me that you respect each person in the class. Please do not interrupt or interfere with their learning process. **Unprofessional conduct in or out of class will be counted against your PIPI score.**

### **Computer and Mobile Phone Usage During Class**

Misuse of computers during class will not be tolerated. This includes using computers for:

- instant messaging (MSN, AOL, Yahoo!, etc.) of any form
- Facebook, MySpace, Twitter
- web browsing not directly related to current class discussion
- looking at or engaging in inappropriate behavior or offensive material
- video games
- work for other classes

Students using computers for note taking are requested to sit in the last row of the classroom. Mobile phones should be turned completely off during class.

## **VII. Calculator**

Students are required to either own or have unrestricted use of a financial calculator. The recommended calculator is the **Texas Instruments BAI1 Plus Financial Calculator**, or the Hewlett-Packard HP 12C or an equivalent. This is not a class on how to use your calculator -- **YOU NEED TO KNOW HOW TO USE YOUR CALCULATOR!**

## **VIII. Homework**

There may be a few assignments during the course of the semester which will be announced in class. However, besides this, students are generally expected to on their own try the problems at the back of each chapter and work through the answers themselves. **DOING PROBLEMS IS THE BEST WAY TO PREPARE FOR THE EXAMS!!!!**

## **IX. Course Schedule**

There is a tentative course schedule. This schedule is **SUBJECT TO CHANGE!!!** Please note that there may be **outside-of-class enrichment sessions** that you need to attend; you should consider them part of this course.