COURSE DESCRIPTION

In this course you will learn the language of international investing. You will understand what the different types of securities are. You will learn how markets operate domestically and internationally. The actual operation of markets will be observed through movies.

COURSE MATERIALS

REQUIRED TEXT: Trading and Exchanges: Market Microstructure for Practitioners, by Larry Harris, Oxford University Press.

ADDITIONAL READINGS:

   Supplemental Packet – Contains the course outline with room to take notes. On Blackboard.
   Campbell R. Harvey's Hypertextual Finance Glossary available at http://www.duke.edu/~charvey/Classes/wpg/glossary.htm
   Articles: A packet of articles will be available on Blackboard along with a list of what topics they relate to. I will add new articles to the list as they appear in the press. You will be responsible for obtaining them. See the next topic.

FINAL GRADE ASSIGNMENT

Each exam is worth 33%. NO MAKE UP EXAMS WILL BE GIVEN. ONLY A MEDICAL EXCUSE OR DEATH IN YOUR FAMILY WILL ALLOW YOU TO MISS AN EXAM. IN THE EVENT OF ILLNESS A DOCTOR'S NOTE WILL BE REQUIRED. In the event of an excused exam your grade will be the average of the two exams you took.

In this class the following relationship between numeric and letter grades applies:

   90-100 = A; 87-89 = B+; 80-86 = B; 77-79 = C+; 70-76 = C; 60-69 = D; less than 60 = F
I. TYPES OF SECURITIES ISSUED BY CORPORATIONS
Reading: Chapter 1, 3

See Campbell R. Harvey's Hyper textual Finance Glossary for definitions of terms

A. Common Stock
B. Preferred Stock
C. Bonds
   1. U.S.
   2. Germany
   3. France
   4. United Kingdom
   5. Japan
   6. Eurobonds
D. Rights
E. Warrants

II. TYPES OF GOVERNMENT ISSUED SECURITIES

A. Treasuries
   1. T'Bills.
   2. T'Notes and Bonds
B. Other Government Securities
   1. Federal Farm Credit Bank
   2. FNMA
   3. GNMA
   4. Freddie Mac

III. SECURITIZATION

A. Mortgage backed securities
   1. Mortgage Backed Bonds
   2. CMOs
   3. REMICs
B. Other Assets securitized
IV. PRIMARY MARKETS FOR US GOVERNMENT SECURITIES

V. ORDER DRIVEN MARKETS - AUCTION V. CALL MARKET

Reading: Chapters 4, 5, 6

A. NYSE

1. History
2. Membership
3. Listing Requirements
4. Computerized Order Execution
5. NYSE Floor
6. Types of orders
8. Short Sales
9. Margin
10. Specialists

B. AMEX

C. Purpose of U.S. Regional Exchanges

D. European Exchanges
1. Finland
2. France
3. Germany
4. Italy
1. United Kingdom
2. European Exchange Linkages

E. Pacific Rim Exchanges
1. Australia
2. Singapore
3. Thailand
4. Japan
VI. DEALER MARKETS
Reading: Chapter 13

A. NASD
   1. Recent Order Handling Rule Changes
      a. Actual Size Rule
      b. ECNs
      c. Customer Limit Orders
      d. Trading Ahead
      e. Trading Through (1994)
   2. Optimark

B. London

VII. BID-ASK SPREADS
Reading: Chapters 10, 14

A. Components
   1. Adverse Selection
   2. Inventory Holding
   3. Order Processing

VIII. PRIORITY RULES

A. Price

B. Time

C. Sharing

D. Size

E. Random

F. Others

IX. TRANSPARENCY

A. Pre-Trade

B. Post-Trade

X. OTHER EXCHANGE-RELATED ISSUES

A. Tick Size

B. Consolidation v. Fragmentation
C. Price Improvement

XI. DERIVATIVES

A. Futures
   1. Spot Markets
   2. Forward Contracts
   3. Futures Contracts
      a. How to Buy or Sell a Future
      b. How Settlement Occurs
      c. How Profits are Made
      d. Maximum Daily Price Fluctuations
   4. Pit Trading
   5. Types of Traders
   6. US Exchanges
      a. Regulation of US Commodity Exchanges
   7. France - Marche A Terme des Instruments Financiers MATIF
   8. Germany - Deutsche Terminborse DTB
   9. Switzerland - SOFFEX
  10. United Kingdom
  11. Globex

ETHICS:

It is the goal of Rutgers Business School to graduate ethical business leaders. The finance department promotes ethical behavior throughout the teaching of all courses. The Charted Financial Analyst Institute has developed on-line self-study ethics training on the CFA Institute Code of Ethics and the Standards of Professional Conduct. The six hour on-line self-study components were developed by the CFA Institute for use by universities. Students are urged to create a free account and complete the modules, which are described here.