

Financial Markets and Services

Course Content:

1. Introduction to Financial Markets

- Money Markets
- Capital Markets
- Advantages of Financial Markets to investors / corporate

2. Determinants of Interest Rate

- Real and nominal Interest rates
- Theory of Term structure of Interest Rates
- Monetary Policy & Role played by Central Bank
- Measures of money supply (M1 / M3)
- Influence of Interest Rates in other economics on domestic interest rates

3. Money Markets

- Why money markets are needed
- Various Money Market instruments
- Measuring Bond equivalent yield and discount yield on Money Market instruments.
- How the Monetary Policy stance of central bank gets percolated in the economy

4. Bonds

- Bonds mathematics (YTM, Currency yield, duration, convexity, zero coupon yield etc.). Application of duration in Risk Management
- Term Structure & Theories Behind term Structure
- Determinants of interest rates - (Role played by Central Bank Monetary & Credit Policy,
- Effect of Globalization .
- Government bonds & Corporate bonds
- Interest Rate Risk Management
- Introduction to FRA s / SWAPS
- Introduction to Mortgage Mathematics

5. Stock Markets

- Introduction to Portfolio Management Theory

- Understanding Risk, diversification
- CAPM, Systematic / Unsystematic Risks etc.
- Relative Valuation Measures Like PE Ratio,

6. Mutual Funds

- Structure & Important regulations w.r.t. MFs
- Advantages of Investments through MFs
- Types of MFs & Investment options
- The present status of MF industry in India and its potential
- Styles of Investment
- Fund Manager s past performance, AMC s Reputation etc.
- Actual Performance of Indian MF (Returns delivered by Indian Mutual Funds)

7. Foreign Exchange Markets

- Purpose served by Markets
- Floating /Fixed rate - Advantages / Disadvantages
- Determinants of Currency Movements or Exchange rate
- Real & Nominal Exchange Rates
- Covered Interest Parity

Reference Text :

1. Financial Markets and Institutions by Anthony Saunders - Tata McGraw Hill Publications
2. SEBI Guide Lines (available on net) on Mutual funds.
3. Handouts / Soft copies ('Excel bond') on some topics like Bond Mathematics, Portfolio Management, Evaluation of Mutual Fund performance etc will be given.