COURSE OBJECTIVES
This course applies analytical tools of economics and finance to real world issues. Its aim is for students to link the models they have learned in previous courses to patterns observed in financial markets, and to understand when is it that further theoretical refinements are required to better account for certain observed patterns. Furthermore, students should develop an understanding of the potential effects of monetary and regulatory policies on financial markets. Topics include the bond market, the stock market, the foreign exchange market, financial crises and financial regulation. Particular attention will be given to the sub-prime crisis and the Eurozone crisis.

READING MATERIAL
We will use two books:
- *Boom-Bust Cycles and Financial Liberalization* by Aaron Tornell and Frank Westermann.

Furthermore, *The Wall Street Journal* will be used in the course. You can subscribe and get a 10-week student reduced price of $10 at:

LABORATORY
The purpose of the lab course (106-ML) is to help you understand how theory connects to practice. In groups, you will select from a list of topics, complete the required analysis, prepare a 10-minute presentation and deliver your presentation to alumni guests. Guests will be providing both verbal and written feedback on your presentation skills. Special sessions will be focused on effective presentation and public speaking skills. At the conclusion of this course, you will have gained research, presentation and networking skills. Lab lecture and the TA section attendance are essential in successfully completing the course.

In order to prepare the presentations you will be required to use statistical packages such as Excel. There are good excel tutorials on http://www.lynda.com that can be accessed via http://www.LearnIT.ucla.edu Go over “Excel 2010: Essential Training” and “Excel 2010: Advanced Formulas and Functions.”
COURSE WEBSITE
The course website contains a section with material to be covered each week, and an announcements section. Both sections should be read by students before every class. Class notes and problem sets will be posted in the week’s material section.

COMMUNICATIONS
Administrative information regarding the course will be posted in the announcements section. Any issues that students would like to address should be done in person, not via electronic means, during office hours or after class. Weekly office hours will be posted in the class website.

GRADING
There will be a common course grade for both 106M and 106ML. The course grade will be determined by a final exam (65%), homework (10%), Lab participation (10%), and a Lab project (15%). The final exam date and location is set by the Registrar’s office: June 12 2014, 3-6pm. You will need to present a UCLA photo ID in the final exam. The final exam will be administered only in the location and time set by the Registrar’s and OSD offices. There will be no make-up exams except as required by university policy.

You are required to hand in each homework at the deadline that will be specified in class. Each day of delay will subtract 25% of the corresponding homework’s grade. Answers to homework must be your own.

Attendance to the Lab is necessary to receive the points associated with Lab participation. Attendance requires that you sign your name in a sign-in sheet at the start of the Lab (2pm on Wednesdays) and participate in class until the Lab session ends at 3.20pm. It is not permitted for another person sign your name in the sign-in sheet. Each student will present her/his project in the Lab between weeks 5 and 10. The week assignments will be made by the end of week 3.

DISABLED STUDENTS
Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under OSD rules for such special arrangements and (b) must take the exam with OSD. Any such arrangements with OSD must be made the first week of classes. The instructor must be informed of any such arrangement in the first week of classes. For additional information please visit http://www.osd.ucla.edu/Index.htm. All other students must take the exam at the scheduled time under the same time constraints. It is the responsibility of all students who request special arrangements with OSD to be familiar with all of their rules as well as the rules of this class.

ACADEMIC DISHONESTY
Any cases of cheating—in exams, sign-in sheets, homework, projects—will be reported to the Office of the Dean of Students. For more details please refer to the Office of the Dean of Students website at http://www.studentgroups.ucla.edu/dos/
CLASSROOM CIVILITY
It is important to respect your classmates desire to learn. Please do not come late to class, as it is disruptive no matter how quiet you are. If you carry a cell phone or any other type of audible device, turn it off before entering class. Do not engage in side conversations during the lecture, even in a whisper.

All students will be treated equally and no exceptions to the rules alluded to above will be made.
TOPICS

Week 1.
The Bond Market and Interest rates (Mishkin and Eakins, Ch. 3 and Ch. 12)

Week 2.
Determinants of Interest Rates (Mishkin and Eakins, Ch. 4)
The Stock Market (Mishkin and Eakins, Ch. 13)

Week 3.
The Foreign Exchange Market (Mishkin and Eakins, Ch. 15)

Week 4.
The Terms Structure of Interest Rates (Mishkin and Eakins, Ch. 5)

Week 5.
Moral Hazard and Adverse Selection in Financial Credit Markets (Mishkin and Eakins, Ch. 7, and Tornell and Westermann Ch. 2 & 5)

Week 6.
Lending Booms and Financial Crises (Mishkin and Eakins, Ch. 8 and Tornell-Westermann Ch. 3 & 4)

Week 7.
Central Banks and Monetary Policy (Mishkin and Eakins, Ch. 9 and Ch. 10)

Week 8.
Balance-of-Payments crises and the Eurozone Crisis (Mishkin and Eakins, Ch. 16, class notes)

Week 9.
Financial Institutions (Mishkin and Eakins, Ch. 17)
Financial Regulation (Mishkin and Eakins, Ch. 18)

Week 10.
Financial Derivatives and Hedging (Mishkin and Eakins, Ch 24)
Options and VIX, the Fear Index (class notes)