

## MACROECONOMICS AND FINANCIAL MARKETS

**Total Course Load:** 80

### Course Description:

This course is set for students who are willing to apply economics and finance to real world situations. The starting point here is that we start with a trading room, where we use a trading software with real time data where students learn how to create positions of stock indexes, interest rates and currencies. The course stresses the applied field of economics and finance. In previous courses students learned about banks, bank runs, leverage and derivatives. In this course we apply these concepts using a software that emphasizes future markets and option markets as well. Among the tasks, student groups, using a computer platform, decide to buy (or sell) the asset according to the economic environment and other variables into consideration. In each decision the software records monetary gain or loss and the winner is the one with highest monetary gain.

### Objectives:

The main goal of this course is to provide students taste of 'real life' situations in a hedge fund/ trading desk. In brief, students will learn how to trade the leading indexes in the world: S&P, Nasdaq, Dow Jones. The most important currencies: Euro/USD, USD/Yen, USD/Canadian Dollar; the metals: Gold, silver, copper; commodities: Corn and oil and the all NYSE stocks. Trading is a mixture of sound economic theory with a touch of economic news and lots of technical analysis. The proposal (and my wish) is to be able to pass along to students what makes successful trader/fund manager. We use computer software where students get acquainted with spot and futures transactions in the key markets: commodities, currencies, stock index e sand metals. Students will then apply option strategies like: straddles, butterfly, strangle, collar and candle, among others.

### Program Content:

- Bank Runs, Hedge Funds and Markets
- Understanding Interest Rates
- Mechanics of Future Markets
- Mechanics of Spot markets
- Leverage
- Margin calls
- Margin policy
- Technical Analysis and Robots and Expert Analysis
- The Federal Reserve
- Trading
- Capturing alpha and beta
- Risk management
- Tools of Monetary Policy

### Basic Bibliography

#### Books:

Mishkin, Frederick. , **The Economics of Money, Banking and Financial Markets**, 8<sup>a</sup> ed., Pearson - Prentice Hall, 2010

LOWESTEIN, R. , **When Genius Failed – The Rise and Fall of Long Term Capital Management**, 4<sup>a</sup> ed., Harper Collins, 2013

MURPHY, J. , **Technical Analysis of the Financial Markets**, <sup>a</sup> ed., NYIF, 2011

## Articles:

LEVINE R. and CORBAE, D. "Competition, Stability and Efficiency in Financial Markets. **Jackson Hole Symposium Paper Proceedings** . , 2018.

## Complementary Bibliography

### Books:

COVEL, M. , **The Complete Turtle Trader**,<sup>a</sup> ed., Harper Collins , 2016

DOUGLAS, M. , **Trading in the Zone** . ,<sup>a</sup> ed., Institute of Finance, 2015

COVEL, M. , **The Little Book of Trading**,<sup>a</sup> ed., John Wiley and Sons, 2011

SARGENT, T, **Dynamic Macroeconomic Theory**,<sup>a</sup> ed., Harvard University Press, 1992

Schwager, Jack, **Market Wizards (MW)**, ,<sup>a</sup> ed., Harper Collins, 1989

### Articles:

Gertler, Mark and Simon Gilchrist | What Happened: Financial Factors in the Great Recession. **Journal of Economic Perspectives**. , v. 3 , n. 32 , p. 3-30 , 2018.

Schwager, Jack. .The New Market Wizards (NMW). **Harper Collins**. , 1992.

1. Gertler, Mark, Nobuhiro Kiyotaki, and Andrea Prestipino. A Macroeconomic Model with Financial Panics. **NBER Working Paper** 24126. , 2017