

## **FINANCIAL MARKETS AND INVESTMENTS**

Degree in Finance

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Code: 12523

Main Scientific Area: Finance

Lecturer: Paulo Alexandre da Rocha Armada de Campos Leite

Language of Instruction: Portuguese

Regime: S1

Contact Hours: 60h Total Workload: 108h

ECTS: 6,0

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### **Objectives**

The syllabus proposes the analysis and characterization of the several types of financial instruments, in the context of the markets where they are traded, at the individual level. Therefore, the main objectives of the curricular unit are:

- The knowledge of financial markets, their role and structure;
- The characterization and evaluation of the several types of financial instruments.

### **Learning Outcomes**

- Identify, describe and classify financial markets, their role, structure and rules of activity;
- Identify and characterize the financial instruments traded in financial markets;
- Identify and explain the risk/return relationship, implement asset pricing models and discuss their limitations.

### **Course Contents**

#### 1. INTRODUCTION

1.1 A Global View of Finance

1.2 The Investment Process

1.3The Financial System

1.4 Asset Pricing Principles

#### 2. FINANCIAL MARKETS

2.1The Economic Functions of Financial Markets

## 2.2 Segmentation of Financial Markets

### 2.2.1 Exchange-rate Market

### 2.2.2 Money Market

### 2.2.3 Capital Market

## 2.3 Securities Markets

### 2.3.1 Primary Market

### 2.3.2 Secondary Market

### 2.3.3 Institutional Framework

## 3. STOCK EXCHANGES

### 3.1 Background

### 3.2 Stock Exchanges today

### 3.3 Evolution of the Portuguese Stock Exchange

### 3.4 The Euronext

### 3.5 Organization and Rules of Activity: The Euronext Lisbon

#### 3.5.1 Market Segmentation

#### 3.5.2 Stock Exchange Trading

##### 3.5.2.1 Admission to Negotiation

##### 3.5.2.2 Types of Sessions

##### 3.5.2.3 Types of Orders

##### 3.5.2.4 Financial Intermediaries in Stock Exchange Operations

##### 3.5.2.5 Negotiation Systems

## 4. STOCK ANALYSIS AND VALUATION

### 4.1 Concept

### 4.2 Types of Stocks

### 4.3 Risk and Return

4.4 Terminology

4.5 Operations involving Stocks

4.6 Stock Market Indexes

4.7 Stock Valuation

4.7.1 Dividend-Discount Models

4.7.1.1 Constant Dividends

4.7.1.2 The Constant Growth Model

4.7.1.3 Multi-stage Growth Models

4.7.2 Comparative Valuation Ratios

4.7.2.1 Price-Earnings Ratio (PER)

4.7.2.2 Price/Book Value (PBV)

4.7.2.3 Price/Sales (P/S)

5. BOND ANALYSIS AND VALUATION

5.1 Concept

5.2 Risk and Return

5.3 Terminology

5.4 Types of Bonds

5.5 Bond market indexes

5.6 Bond Valuation

5.6.1 Valuation of Fixed-rate Bonds

5.6.2 Bond Yields

5.6.3 Bond Price Volatility

5.6.4 Duration and Modified Duration

5.6.5 Convexity

5.6.6 Immunization

## **Recommended Bibliography**

·BODIE, Zvi; KANE, Alex; MARCUS, Alan (2022), "Essentials of Investments", 12th edition, McGraw-Hill.

·FERNANDES, Abel; MOTA, Paulo; ALVES, Carlos; ROCHA, Manuel (2022), "Mercados, Produtos e Valorimetria de Activos Financeiros", 4.<sup>a</sup> Edição, Almedina.

·PINHO, Carlos; SOARES, Isabel (2018), "Finanças – Mercados e Instrumentos", 3.<sup>a</sup> Edição, Edições Sílabo.

## **Learning and Teaching Methods**

Chapter1 presents several introductory concepts, such as the concept of financial investment, clarifying the differencesbetween the several types of financial investments and market agents. Next, in chapters 2 and 3, we identify and characterize the several types of financial markets, with special emphasis tostock exchanges, to illustrate their relevance and structure.

Chapters4 and5 focus on evaluating individual financial securities. Therefore, chapter4 provides a characterization of stocks and presents stock valuation methodologies that allow an investor to determine their intrinsic value, through dividend discount models and through multiples.

Chapter 5 intends to give students the knowledge necessary to characterize and then evaluate (compute the price) the different types of bonds that exist. Due to their relevance in managing bond portfolios, the concepts of duration, convexity and immunization will be presented and explained, as well as their usefulness in managing interest rate risk.

## **Assessment Methods**

Students will be evaluated based on:

- An individual written test (70% weight);
- Development and in-class presentation and discussion of a work (30% weight).

To pass the course students must obtain a minimum score of 7,0 in each evaluation parameter.

During exam seasons, the evaluation is made exclusively through a written exam (100% weight).

The use of mobile phones, smartphones or smartwatches, both during classes or during tests / exams, is not allowed.