MARKETS AND FINANCIAL INSTRUMENTS

Code: 21737

Main Scientific Area: Finance

Lecturer: Paulo Alexandre da Rocha Armada de Campos Leite

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 30h Total Workload: 132h

ECTS: 6,0

Objectives

The syllabus proposes the characterization and evaluation of the main financial instruments, in the context of the markets where they are traded, not only at the individual level, but also through their combination in investment portfolios.

Learning Outcomes

At the end of the course the student is expected to be able to:

- Classify, distinguish, and characterize the financial markets.

- Calculate bond prices and yields and understand the concepts of duration and convexity.

- Calculate the intrinsic value of a stock using different methodologies.

- Describe the evolution of portfolio performance evaluation measures and identify their main limitations.

- Evaluate mutual fund performance for different fund types.

- Distinguish and characterize futures contracts, forwards, options, and swaps; understand the basic option strategies.

Course Contents

I – FINANCIAL MARKETS

- Types of financial assets and asset pricing principles.

- The money market.

- The capital market.

II – BONDS

- Characteristics and types of bonds.

- Bond pricing and yields.

- Volatility, duration, and convexity.

III – STOCKS

- Characteristics and types of stocks.

- Dividend discount models:

- The constant growth (Gordon-Shapiro) model.

- Multi-stage growth models.

IV – MUTUAL FUNDS

- Concept and types of mutual funds.

- Benchmark selection.

- Traditional risk-adjusted portfolio performance measures.

- Selectivity and market timing.

- Multi-factor models.

- Conditional models.

V – DERIVATIVES

- Forwards and Futures.

- Option contracts.

- Swaps.

Recommended Bibliography

- Bodie, Z., Kane, A., Marcus, A. (2021). Investments (12th Edition). McGraw-Hill.

Learning and Teaching Methods

The sequential approach of the course contents allows the gradual achievement of all objectives.

Assessment Methods

Evaluation methodology: Individual written test (70% weight); Development and defense of a work (30% weight).

To pass the course, students must have a minimum grade of 7,0 in the test.

These continuous evaluation elements do not carry over to exam periods, in which evaluation is carried out exclusively through an exam (100% weight).