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University of Prishtina “HASAN PRISHTINA”

Faculty of Economics

Applied Economics and Management

Theory of Financial Markets

(Last Updated in February. 2025)

Credit: 4!

Contact Hours

This course is composed of 15 lecture sessions, 3 tutorial sessions and 9 office contact hours. Each lecture session takes 2 contact hours in length; each tutorial session takes 3 contact hours in length; There will be a Q-A review session (3 contact hours) and Final Exam (3 contact hours) at the end of this term. This course has 72 contact hours in total.

GENERAL DESCRIPTION

This is a lecture course that is intended to help you understand the role that financial markets play in the business environment that you will face in the future. It also provides an understanding of the underlying institutions that either help financial markets work well or that interfere with the efficient performance of these markets. This course develops a series of applications of principles from finance and economics that explore the connection between financial markets and the economy. In addition, it will focus on many public policy issues and examine how the most important players in financial markets, central banks, operate and how monetary policy is conducted. The course will have a strong international orientation by examining monetary policy in many countries and possible reforms of the international financial system. We will also focus on current events reported in the financial press by devoting one to one and a half class hours per day to an extensive class discussion of current economic events and will use the analytic frameworks developed in class help us to understand these developments.

Note: This Syllabus is subject to change based on the needs of the class.

Required Textbook

Textbook: *Financial Markets and Institutions*, by Frederic S. Mishkin, Stanley G. Eakins, 9th Edition, Pearson.

Grading

•Participation		10%
•Assignment (Quizzes+homeworks)		20%
•Discussions		10%
•First Test		30%
•Second Test		30%
Letter Grade		Grade Points
High Distinction	(10)	91-100
Distinction	(9)	81-90
Credit	(8)	71-80
Average	(7)	61-70
Pass	(6)	51-60
Fail	(5)	0-49

Course Schedule

However, this syllabus will be open for discussion. It's worth noting that, based on your information and knowledge, perhaps only about 85% of it will be covered during this semester. The course has 24 class sessions in total. All sessions are 2 contact hours in length. At the end of this term, there will be a Q-A review session (3 contact hours) and Final Exam (3 contact hours). Note: the course outline and required readings are subject to change.

Class 1, (Week 1):

Introduction to the course and syllabus-related materials

Class 2, (Week 2):

Why Study Financial Markets and Institutions?

Overview of the Financial System Reading: Chapter 1 & Chapter 2

Class 3, (Week 3):

Fundamentals of Financial Markets

Time Value of Money

Class 4 (Week 4):

Fundamentals of Financial Markets

What Do Interest Rates Mean and What Is Their Role in Valuation? Reading: Chapter 3

Class 5, (Week 5):

Fundamentals of Financial Markets Why Do Interest Rates Change? Reading: Chapter 4

Class 6, (Week 6):

Fundamentals of Financial Markets

How Do Risk and Term Structure Affect Interest Rates?

Chapter 6: Are Financial Markets Efficient? Reading: Chapter 5 & Chapter 6

Class 7, (Week 7):

Review of Chapter 1 to Chapter 6 – Midterm 1

Class 8, (Week 8):

Fundamentals of Financial Institutions

Why Do Financial Institutions Exist? Reading: Chapter 7

Class 9, (Week 9):

Fundamentals of Financial Institutions Why Do Financial Crises Occur and

Why Are They So Damaging to the Economy? Reading: Chapter 8

Class 10, (Week 10):

Central Banking and The Conduct of Money Policy

Central Banks and the Federal Reserve System Reading: Chapter 9

Class 11, (Week 11):

Central Banking and The Conduct of Money Policy Conduct of Monetary Policy:

Tools, Goals, Strategy, and Tactics Chapter 10

Review of Chapter 7 to Chapter 10 Quiz 2

Class 12, (Week 12):

Financial Markets

The Money Markets Reading: Chapter 11

Class 13, (Week 13):

Financial Markets

The Bond Market The Stock Market 12&13

Reading: Chapter 12 & Chapter 13

Class 14 (Week 14):

Financial Markets

The Mortgage Markets

The Foreign Exchange Market Reading: Chapter 14 & Chapter 15

Class 15, (Week 15):

Midterm 2

Attending Policy

Regular and prompt attendance is required. Under ordinary circumstances, you may miss two times without penalty. Each absence over this number will lower your course grade by a third of a letter and missing more than five classes may lead to a failing grade in the course. Arriving late and/or leaving before the end of the class period are equivalent to absences.

Policy on “Late Withdrawals”

In accordance with university policy, appeals for late withdrawal will be approved ONLY in case of medical emergency and similar crises.

Academic Honesty

University Pristhina expects all students to do their own work. Instructors will fail assignments that show evidence of plagiarism or other forms of cheating and will also report the student's name to the University administration. A student reported to the University for cheating is placed on disciplinary probation; a student reported twice is suspended or expelled.

General Expectations:

Students are expected to:

- ⇒ Attend all classes and be responsible for all materials covered in class and otherwise assigned.
- ⇒ Complete the day's required reading and assignments before class.
- ⇒ Review the previous day's notes before class and make notes about questions you have about the previous class or the day's reading.
- ⇒ Participate in class discussions and complete required written work on time.
- ⇒ Refrain from texting, phoning or engaging in computer activities unrelated to class during the class period.
- ⇒ While class participation is welcome, even required, you are expected to refrain from private conversations during the class period.

Special Needs or Assistance (if someone needs for assistance)

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.