

MONETARY AND FINANCIAL ECONOMICS

Degree(s)	: Economics
Type	: Compulsory course unit
Curricular year/semester	: 2nd year / 2nd Semester
ECTS / hours per week	: 6 ECTS / 4.0 Hours
Workload per week	: 2 Theoretical x 1 Hour + 1 Practical x 2 Hours
Teacher responsible	: Professor António Afonso

OBJECTIVES

- The role of this module is to provide students with a comprehensive introduction to the economics of money, banking and financial markets.
- It aims to provide an understanding of the workings of monetary and financial systems and uses this understanding to assess and evaluate policy options and problems in economics, banking and finance.
- The module surveys basic monetary theory and provides insight into current debates in banking, finance and monetary policy.

PROGRAM

1 Financial system

- 1.1 Financing flows in the economy
- 1.2 Financial markets
- 1.3 Financial intermediaries
- 1.4 Financial instruments

2. Money

- 2.1 Concepts of Money
- 2.2 Functions of Money
- 2.3 Payment systems
- 2.4 Measuring Money

3. Risk

- 3.1 Actual value and future value
- 3.2 Financial risk
- 3.3 Types of risk
- 3.4 Strategies to reduce financial risk

4. Portfolio theory

- 4.1 Return and risk of a financial asset
- 4.2 Return and risk of a portfolio
- 4.3 Efficient frontier
- 4.4 Money as a financial asset – Tobin's separation theorem

5. Bond market and interest rates

- 5.1 Measures of interest rates
- 5.2 Determinants of assets' demand
- 5.3 Structure of interest rates

6. Stock market

- 6.1 The price of a stock
- 6.2 Efficient financial markets theory

7. Derivatives markets

- 7.1 Definitions
- 7.2 Forwards
- 7.3 Futures
- 7.4 Options
- 7.5 Swaps

8. Exchange rate market

- 8.1 Exchange rates
- 8.2 Long-term exchange rate determination
- 8.3 Short-term exchange rate determination

9. Financial intermediation economics

- 9.1 Functions of financial intermediaries
- 9.2 Transaction costs, asymmetric information

10. Banks and financial innovation

- 10.1 Banks
- 10.2 Financial innovation

11. Financial crisis

- 11.1 Types of financial crisis

BIBLIOGRAPHY

Recommended Bibliography:

- F. Mishkin (2010). *The Economics of Money, Banking and Financial Markets*, 9th ed., Pearson.
- Elton, J., Gruber, E., Brown, S., Goetzmann, W. (2009). *Modern Portfolio Theory and Investment Analysis*, 8th ed., Wiley & Sons, Inc.