



Shanghai Jiao Tong University

FI316 Money, Banking and Financial Markets

Instructor Information	Wenjun Xue Home Institution: Shanghai University Email: wjxue@shu.edu.cn Office Hours: To be determined		
Term	June 28, 2021 - July 23, 2021	Credits	4 units
Class Hours	Monday through Friday, 120 mins per teaching day		
Discussion Sessions	2.5 hours each week, conducted by teaching assistant(s)		
Total Contact Hours	66 contact hours (1 contact hour = 45 mins, 3000 mins in total)		
Required Texts (with ISBN)	Economics of Money, Banking and Financial Markets by Mishkin, 12e, ISBN-10: 0134733827		
Prerequisite	N/A		
The course might be moved to online delivery due to COVID-19 pandemic. Students will be notified once the decision is made.			



Course Overview

This course investigates how central banks, commercial banks and private sectors (households and firms) interact with each other to shape the exercise and the outcome of monetary policy. We first introduce the fundamental role of interest rates in the pricing of bonds and stocks, then we continue to discuss the determinants of interest rate as well as its risk structure and term structure. Next, we explore topics on money, such as the function, the measure, and the creation of money via multiple deposit process by commercial banks. In doing this, we would also understand the operation and the management of banks. Then, the course will review the process of money supply to illustrate the function and the mechanism of monetary policy tools, with a concentration on open market operation and quantitative easing practice. The next effort of the course is to explain, from a theoretical perspective, how money demand forms and how it interacts with money supply policy to shape the financial market and the real economy. Finally, we will examine, in a small open economy like Canada, how the world could affect domestic interest rates, money supply, inflation and output via changes in foreign exchange market, especially during a crisis time.

In order to enhance learning outcomes, practice and data of monetary policy by major central banks, including the Fed, Bank of Canada, Euro Central Bank and People's Bank of China will be used to demonstrate the points of above teaching contents. Students are also allowed to review their knowledge of intermediate macroeconomics beforehand.

Grading Policy

Your class grading will be based on your homework, quizzes and the final exams, with the following weights and scale:

- 1) Homework: 20%
- 2) Four Quizzes: 10 % each, 40% in total
- 3) Final Exam: 40%

Quizzes

There is a total of four weekly quizzes. The purpose of quizzes is to keep you updated about lecture materials and to help you study for the final exam. Quiz questions will closely follow lecture materials and will be reflected in the final exam, though not in the same form.

Ground Rules:

Free discussion of lecture topics is encouraged. If you have any questions, please feel free to ask.

It is your responsibility to follow any announcements made during the class and/or via emails.



Grading Scale

Number grade	Letter grade	GPA
90-100	A	4.0
85-89	A-	3.7
80-84	B+	3.3
75-79	B	3.0
70-74	B-	2.7
67-69	C+	2.3
65-66	C	2.0
62-64	C-	1.7
60-61	D	1.0
≤59	F (Failure)	0



Class Schedule

Date	Lecture
Day 1	Chapter 1 Why Study Money, Banking and Financial Markets?
Day 2	Chapter 2 An Overview of the Financial System
Day 3	Chapter 4 The Meaning of Interest Rate
Day 4	Chapter 7 The Stock Market and the Efficient Market Hypothesis
Day 5	Chapter 5 The Behavior of Interest Rate
Day 6	Chapter 6 The Risk and Term Structure of Interest Rate
Day 7	Chapter 8 An Economic Analysis of Financial Structure
Day 8	Chapter 9 Banking and the Management of Financial Institutions
Day 9	Chapter 3 What is Money?
Day 10	Chapter 14 Central Banks and Bank of Canada
Day 11	Chapter 15 The Money Supply Process
Day 12	Chapter 16 Tools of Monetary Policy
Day 13	Chapter 17 The Conduct of Monetary Policy: Strategy and Tactics
Day 14	Chapter 20 Quantity Theory, Inflation and Demand for Money
Day 15	Chapter 21-22 The IS Curve, Monetary Policy and AD Curve
Day 16	Chapter 24 Monetary Policy Theory
Day 17	Chapter 18 The Foreign Exchange Market
Day 18	Chapter 19 International Financial System
Day 19	Chapter 13 Financial Crises in Emerging Economies
Day 20	Final Exam