

VICTORIA APPLIED FINANCE PROGRAMME
School of Economics and Finance

MMAF 501 NEW ZEALAND CAPITAL MARKETS

Trimester 1, 2016

COURSE OUTLINE

Prescription

A survey of the institutions, markets and instruments of the NZ fixed interest, money, equity, derivatives and foreign exchange environment, informed by the insights of modern finance theory. Includes fixed interest pricing and trading, the financial economics of monetary mechanisms in their relationship with the markets, pricing and trading of equities, derivatives trading and their use, spot and forward foreign exchange trading, and the raising of equity and debt capital both at home and abroad.

Course Learning Objectives

On completing this course students should be able to:

- Apply first principles to construct and evaluate financial cash flows
- Develop simple spread sheet models and employ these in financial problem solving
- Demonstrate the pricing of financial instruments and investment yields, correctly applying the financial maths behind such calculations
- Explain the operations of New Zealand's deregulated financial system
- Describe the instruments, institutions and markets that constitute the financial system, and the roles that various institutions play
- Explain what we might seek in an ideal financial system.

These learning objectives will be assessed via two major assignments, two tests and participatory performance at the two block release modules.

Course Content

Kiwicap is about the principal capital markets of New Zealand, their associated institutions, and their economic role. A brief survey of principles of markets and financial intermediation and disintermediation, is followed by a short historical account of events of the last decade or so, leading to financial liberalisation and the evolution of more sophisticated capital markets. The fixed interest markets are next studied, treating bonds, CD's, notes, swaps and other traded instruments in some detail, including the credit dimension. An account of the banking system follows, covering payment and settlement mechanisms, prudential regulation, monetary regulation, with emphasis also on the role of the Reserve Bank. The role of a Futures and Options Exchange is considered, with a survey of its contracts, procedures, trading rules and environment. Equity markets are covered, including the NZX and the new issue process, together with a consideration of equity derivatives. The FX markets are treated in depth, including derivatives such as cross currency interest swaps and

their uses in hedging FX exposures. Throughout, emphasis is placed on the economic role of these markets in achieving allocational efficiency, as well as themes relating to the internationalisation of NZ capital markets in recent years.

Trimester Dates

Formal trimester dates are 29 February - 16 June.

16 June is the final day of the second block release but the second assignment may be due some days later, the precise date to be advised in advance.

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.
2. The standard last date for withdrawal from this course is Friday 13th May 2016. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation. The application form is available from either of the Faculty's Student Customer Service Desks or [online](#).

Names and Contact Details

The course coordinator is Dr. Roger Bowden. Preferred contact is by email. Email address: roger.bowden@kiwicap.co.nz, or via the programme administrator.

The administrator for this course is Rachel Zhang, RWW120. She can be contacted on (04) 463 6148 or rachel.zhang@vuw.ac.nz

Block Release Times and Room Numbers

Block Release 1: 9:30am Tuesday 26th April – 12:30pm Thursday 28th April 2016.

Block Release 2: 9:30am Tuesday, 14th June – 12:30pm Thursday 16th June 2016

A detailed schedule of each block release course will be supplied closer to the respective sessions. Classes will take place at the Kelburn Campus – please see the schedule for details.

Attendance at all sessions of both block releases is compulsory.

Course Delivery

The contact hours of the course will be during the two block releases detailed above. There is also an optional Excel workshop held early in the trimester. During the rest of the trimester, students will be expected to be engaged in self-directed study using their textbooks and material posted on Blackboard, and completing assignments which will be posted on Blackboard

Readings

The two textbooks provided for the course are:

- (1) *Kiwicap: An Introduction to New Zealand Capital Markets*, 2nd ed., by Roger Bowden and Jennifer Zhu, 2005. Available as an e-book on Blackboard.
- (2) *Financial Maths for Managers*, NZ 3rd ed., by Dawn E Lorimer, 2010. Available as hard copy.

Mandatory course requirements

In addition to obtaining an overall course mark of 50% or better, students must attend all sessions of both block release courses. If you have, or become aware of, any health condition that could prevent your attending a VIAF compulsory block release, then you should notify the Programme Director immediately, preferably by email maf-programme@vuw.ac.nz

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Expected Workload

Total average expected workload is 200 hours. During the 6 weeks or so of term prior to each block release, students will need to allow about 14 hours per week for study, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

Assessment

The Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

Tests:	One test of duration 2-2½ hours at each block release session based on reading assigned for period leading up to the block release and material presented at the block release (35% each). Please bring your calculator (see below).	70%
Participation:	For your efforts at the block release sessions and for tutorial questions.	2%
Assignments:	Two major assignments that count together for 28%. <u>The first assignment (10%) is due Wednesday 13 April</u> <u>The second assignment (18%) due date to be advised</u>	28%
Total Assessment:		<hr/> 100%

Penalties

Each of the assignments will be marked out of a maximum that diminishes by 5% for every day late. The date of submission shall be taken as the date of delivery. Please carefully read the assignment guidelines for details of how assignments should be submitted. There will be a final cut off date, one week after the due date for each assignment, after which no assignment can be accepted. The assignments will each carry a specified word limit. If an assignment exceeds the word limit, credit will be given only from the beginning of the assignment up to the word limit. No credit will be given for the portion of work extending beyond the word limit.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Materials and Equipment

It is necessary to bring a calculator to the block courses. A good financial calculator such as the HP17BII HP12C or HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not iphones, or other information accessing or storage devices.

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc. will be provided online via Blackboard. Students are responsible for logging onto Blackboard regularly to check for any updates or announcements, and for ensuring that the VIAF Senior Administrator has their up to date email and postal addresses. Rachel's email is viaf-programme@vuw.ac.nz.

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.
