

2011年度前期(名古屋大学)

# 金融A(金融特論)

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# Purpose

The purpose of this lecture is to organize students' thinking about the structure of financial markets and financial institution management and to become familiar with English technical terms in finance.

# Textbook

Frederic Mishkin, Economics of Money, Banking, and Financial Markets, 9th Edition Prentice Hall, July 2009.

# Coverage

Parts 1 “Introduction” and 3 “Financial Institutions” of the textbook.

# Lecture Plan

4月19日	Why Study Money, Banking, and Financial Markets?
4月26日	An Overview of the Financial System
5月3日	憲法記念日
5月10日	An Overview of the Financial System
5月17日	An Economic Analysis of Financial Structure
5月24日	An Economic Analysis of Financial Structure
5月31日	Financial Crises and the Subprime Debacle
6月7日	Financial Crises and the Subprime Debacle
6月14日	Banking and the Management of Financial Institutions
6月21日	Banking and the Management of Financial Institutions
6月28日	Economic Analysis of Financial Regulation
7月5日	Economic Analysis of Financial Regulation
7月12日	Banking Industry: Structure and Competition
7月19日	Banking Industry: Structure and Competition 期末テスト
7月26日	

# Lecture Structure

The textbook + Related research

Discussion

Presentation of students

Quiz

End-of-term examination

## Student's Requirement

Read the chapters and materials that I will distribute in advance.

Prepare presentation if assigned.

Prepare Quiz and End-of-term examination.

# Chapter1. Why Study Money, Banking, and Financial Markets?

News : Fed raising the federal funds rate



Effects? Automobile loan, housing loan, job  
opportunity...

The study of money, banking, and financial  
markets will reward you with an  
understanding of many exciting issues.

# Why study financial markets?

## Financial markets

people with an excess of available funds but not having a productive use for them

↓(funds transfer)

people with a shortage of funds but having a productive use

Well-functioning financial markets are a key factor in producing high economic growth.

# The Bond Market and Interest Rates

Security(証券) : a claim on the issuer's future income or assets.

Bond (債券) : a debt security with a promise to make periodical payments.

Interest rate (金利 利子 利息) : the cost of borrowing

\*Various interest rates, such as mortgage interest rates, car loan rates, and so on.

Figure 1: interest rates on Corporate Baa Bonds, US Government Long-term Bonds, Three-Month Treasury Bills (何が読み取れるか)

Interest rates are important because

- \*affecting consumers' willingness to spend and save.

- \*affecting businesses' investment decisions.



the overall health of the economy



# The Stock Market

Common Stock (普通株式): a share (持ち分) of ownership in a corporation

Big swing in stock prices= a major story on the evening news because it is a place where people can get rich or poor quickly.

Fluctuations in Stock prices

-(affecting) → the size of people's wealth

→ their willingness to spend

→ business investment decision

# Why Study Financial Institutions and Banking?

Without banks and other financial institutions, financial markets would not be able to move funds from people who save to people who have productive investment opportunities.

## Structure of the Financial System

Why are financial intermediaries so crucial to well-functioning financial markets?

Why do they extend credit to one party but not to another?

Why are they the most heavily regulated businesses in the economy?

→Chapter 8

# Financial Crises

## Financial crises

1. Sharpe declines in asset prices
2. The failures of many financial firms

-->A feature of capitalist economies

## Subprime loan crisis

Starting in August 2007, the U.S. was hit by the worst financial crisis since the Great Depression.

Why these crises occur? (--->Chapter 9)

# Banks and Other Financial Institutions

Banks =accepting deposit + making loans

commercial banks, S&L's, credit unions...

---the most important financial institutions

Ch.10 how banks manage their assets and liabilities.

Ch.11 why financial regulation takes the current form.

Ch.12 how the competitive environment has changed in the banking industry.

# Financial Innovation

A human teller

---> Automatic teller machine (ATM) and home computer. e-finance.

Why and how financial innovation takes place?

Why and how financial institutions have been creative in the past?

# Homework

Collect Japanese data such as stock prices, interest rates, commodity futures price, or other asset prices.

Important data sources:

Bank of Japan, Yahoo Finance, Tokyo Stock Exchanges, Japan Securities Dealers Association(日本証券業協会)

Graph it using Excel and discuss it.