Global Money and financial markets

## Proff. Maurizio Luigi Baussola- Luca Bagato

**Module I - Monetary Policy and Global Financial Markets**

Prof. Maurizio Luigi Baussola

***COURSE AIMS***

This module aims to provide students with an in-depth knowledge of the monetary policy transmission mechanism, and the effects of unconventional monetary policy (quantitative easing) on the global monetary and financial markets.

***LEARNING OUTCOMES***

Students will acquire an in-depth knowledge of the underlying macroeconomic models used by Central Banks to implement monetary policy. Students will be able to analyse the global monetary and financial markets by using the acquired knowledge to integrate theoretical judgments with the actual evolution of the economy. Students will then be able to discriminate between different monetary policy options, also showing their effects on the global macroeconomic equilibrium.

***COURSE CONTENT***

1. The baseline macroeconomic model: the 3-equation model
2. The role of a Central Bank
3. The financial sector and crises
4. The 2008 financial crisis and the Quantitative Easing
5. The European Central Bank and the Federal Reserve
6. Measuring the effect of monetary policy on the global markets
7. Monetary policy and the COVID-19 pandemic
8. The new inflation scenario: comparison with the 1970s and 1980s

***READING LIST***

Wendy Carlin & David Soskice, Macroeconomics, Institutions, Instability and the Financial System, Oxford University Press, 2015 (Ch. 3,5,6,7,13)

CHRIS BROOKS, Introductory econometrics for finance, Cambridge University Press. 2020 (verranno indicate a lezione le parti da seguire)

GERDESMEIER, DIETER, AND LEO TH SCHRUTT. Central Banks and Financial Markets. Frankfurt School Verlag, 2021.

Part V

NB. In addition to this essential reading list, the course is based on official documents from the European Central Bank, the Federal Reserve, and the International Monetary Fund, as well as on records from other financial institutions. From time to time, the lecturer will make the documents to be discussed in class available via the Blackboard platform.

**Module II - Analysis of Financial Markets**

Prof. Luca Bagato

***COURSE AIMS***

To analyze financial decisions investment purposes on the back of riskpremium analysis for fixed income (govies, corporate bonds, and emerging markets), for equity, and volatility extrapolated by equity derivatives.

To focus on arbitrage, trading, and hedging using professional strategies: theoretical and practical lessons in ‘Aula Trading.’

***LEARNING OUTCOMES***

To make the student in the condition to explore and understand the global financial markets microstructure through academic tools, historical and technical charts analysis, and practical experiences to be carried out in Aula trading.

The course will describe the main drivers of financial asset risk premium about equity, government bonds, credit, corporate bonds, and equity options volatility.

Students will learn to simulate trading practicallyand thus understand financial risk premium thoroughly. Also, they will learn the connections and correlations between different financial asset classes using practical cases organized and specifically developed by the lecturer and ‘quasi-real’ financial positioning on specific assets described during the course.

The course will conclude with a special section dedicated to using Exchanged Traded Funds (ETFs). Experienced speakers could help the teacher explain A&L and economic and assets strategy.

***COURSE CONTENT***

1. Risk premia and asset classes reaction to risk on and risk off and central banks’ monetary policy announcements and actions.
2. Understanding bonds risk premia: term premium, duration adjusted positioning, yield curve shaping, and cross-assets correlation to yield curve moves. Credit risk and Country Risk: corporate bonds, emerging market bonds, and default risks analysis.Covid-19 crisis focus and liquidation case for investment grade and high yield bonds ETFs.
3. Macro trading and Investment strategies: practical cases of long/short arbitrage cases about bonds and equity indices (distributed by the lecturer).
4. Equity risk premium: Fed and other models (Damodaran’s ERP models) and Equity risk-on and risk-off (ERP model to be set up and updated during the teaching classes - in the Trading Room on Excel-)
5. Volatility and correlation risk premium: risk on and risk-off for equity sector rotation and analysis of volatility protection techniques: a practical case about volatility bet on equity indexes.
6. Technical analysis: two specific lessons in the Trading Room with an experienced technical analyst to understand principal methodologies in theory and practice. Focus on momentum and practical case to organize a” momentum” updating excel database to be used for trading on a virtual portfolio in the Trading Room.

***BIBLIOGRAPHY***

L.BAGATO,P.BUSSOLI*, Investire al tempo delle Banche Centrali*, Hoepli, 2022

L.BAGATO,P.BUSSOLI*, Investire con le Obbligazioni*, Hoepli, 2014

A.ILMANEN, *Investing Amid Low Expected Returns*, Wiley, 2022(capp. da definirsi in aula con il docente)

G.DEFENDI,*Strategie Operative per i Mercati Finanziari*, Hoepli, 2018 (capp da definirsi con il docente G.GERDESMEIER, L.T.SCHRUTT, C*entral Banks and Financial Markets,* Frankfurt Verlag *(*capp. da definirsi in aula dal docente).

***TEACHING METHOD***

Teaching classes and practical lessons in the Trading Room using recent specific cased and data collected by the lecturer and distributed in class. Discussing news and media articles by financial market experts, especially for The Financial Times, the WSY, and The Economist, is part of the Course methodology.

***ASSESSMENT METHOD***

Individual or group assessments for attending students with a weigth of 20% on the final mark.

Written examination is split into two parts: Modul I (Monetray Policy) and Modulo II ( Risk Premia analysis for Financial Assets). Equally allocated time: 2 hours. Assessment during the course could fill the practical session.

***NOTES AND PREREQUISITES***

Basic financial modelling is a prerequisite

Office hours will be available on the teacher’s website at <http://docenti.unicatt.it/>