

Course Syllabus

EE431 Economics of Financial Markets and Institutions

Semester 2/2025 (January 5– May 2, 2026)

1. **Number of credits:** 3 credits (3-0-6)
2. **Lecture Date and Time:** Tuesday, 9.00 – 12.00 hr.
3. **Class Venue:** Room 207, Faculty of Economics Building
4. **Class Material Repository:** Online LMS: Google Classroom
(An invitation link will be sent to your @st email.)*
5. **About instructor:**

Instructor's Name: Asst.Prof. Dr. Sicha Thubdimphun

Contact Information: sicha@econ.tu.ac.th

Office hours: appointment via email.

6. Course description:

Money and capital markets at a micro-level; Financial assets, risks, and risk-bearing; The theory of equilibrium pricing of financial assets; Interest rate determination and structure of interest rates; Asymmetric information in financial markets; The study of financial institutions; Risk management of financial institutions; Behavior of financial institutions; Regulating financial institutions

7. Prerequisite: EE311

8. The objective of the course (CLOs):

- CLO1: Understand and explain the characteristics of financial assets, the concepts of risk and return at the microeconomic level, and the investment decision-making process in which investors aim to maximize expected utility. Analyze the importance of diversification and the role of financial institutions in mitigating asymmetric information in financial markets.
- CLO2: Identify and interpret the key determinants of financial asset prices, and assess the role and functions of financial intermediaries within the financial system.
- CLO3: Apply asset pricing models and financial economic theories to interpret asset prices and analyze real-world developments in financial markets, including the challenges and potential failures of financial intermediaries.
- CLO4: Effectively construct and communicate economic and financial analyses in both written and oral formats, adhering to academic standards of clarity, structure, and reasoning.
- CLO5: Demonstrate responsibility and accountability by completing individual and group assignments on time.

9. Evaluation

Homework*	5%
Quiz/In-class assignments**	10%
Mid-term exam	35% (Topic 1 – Topic 3)
Final exam	50% (Topic 4 – Topic 8)

Mid-term Exam: Tuesday, February 24, 2026 09.00-11.00 hrs.

Final Exam (Required): Thursday, May 7, 2026 09.00-12.00 hrs.

*There will be a total of 12 homework assignments, approximately. For each student, we will drop the two assignments with the lowest scores. **LATE submission is not counted.**

****There will typically be around two quizzes or in-class assignments per class, although this may vary. ** In some classes, there may be only one quiz. For each student, the SIX lowest quiz scores will be dropped, and the remaining scores will be counted toward the final grade. LATE submission is not counted. You must submit in-class assignment before I leave the room.**

Quizzes are not there to catch mistakes or force attendance. They are there to help you learn—by highlighting the main ideas, giving you quick feedback, and making the learning process more manageable and less stressful over the semester.

*, ** The idea behind dropping some quizzes/homework with the lowest scores is to accommodate students who may miss assignments for various reasons. Therefore, if a student happens to miss a quiz or a homework assignment, there won't be a makeup opportunity, as we've already factored this into the grading system.

Please inform me at the beginning of the semester or as soon as possible if you have any medical condition or necessity that may prevent you from attending class for more than three weeks. In such cases, the quiz score will be proportionally transferred to the midterm and final exams, or, if necessary, the entire quiz score will be transferred to the final exam. In any case, there will be no makeup quiz.

Remarks:

1. Evaluation methods are subject to change.
2. More information will be announced in the Class, or Google Classroom or your@st.econ.tu.ac.th email.
3. When doing any essay exam or assignments, use graphs, mathematical expressions, or else to support your answer where appropriate. Marks depend on the quality of the explanation.

10. Grading Criteria:

Grading is conducted separately for each section. I generally adopt a mixed approach, combining both criteria-based and distribution-based methods. When criteria-based grading is appropriate and applicable, I follow the university's general guidelines outlined below. However, given the many factors that must be considered, **I reserve the right to adjust the grading brackets, criteria, and final decisions as I deem appropriate.**

A = 4.0 (85-100)	B+ = 3.5 (75-84)
B = 3.0 (70-74)	C + = 2.5 (65-69)
C = 2.0 (60-64)	D+ = 1.5 (50-59)
D = 1.0 (40-49)	F = 0 (0-39)

11. Teaching Materials and Resources

Required Text:

Frederic Mishkin, The Economics of Money, Banking and Financial Markets 9th Edition (Pearson, 2009)

Peter D Spencer, The Structure and Regulation of Financial Market (Oxford University Press, 2000)

Copeland, Thomas E. and J. Fred Weston, Financial Theory and Corporate Policy, 4th edition, (Addison-Wesley, 2005)

Diamond (2007), Bank and Liquidity Creation: A Simple Exposition of the Diamond-Dybvig Model, Federal Reserve Bank of Richmond Economic Quarterly.

Diamond (1996) Financial Intermediation and Delegated Monitoring: A Simple Example, Federal Reserve Bank of Richmond Economic Quarterly.

Kent Mathews and John Thompson, The Economics of Banking 2nd Edition (John Wiley & Son, 2008)

Bailey R.E., The Economics of Financial Markets, Cambridge University Press (2005)

Remarks: Supplement handouts or reading will be posted on *Google Classroom*.

The lecturer will provide a lecture presentation.

- The lecture presentation is designed to support learning in the class. Therefore, it is not sufficient for the exam.

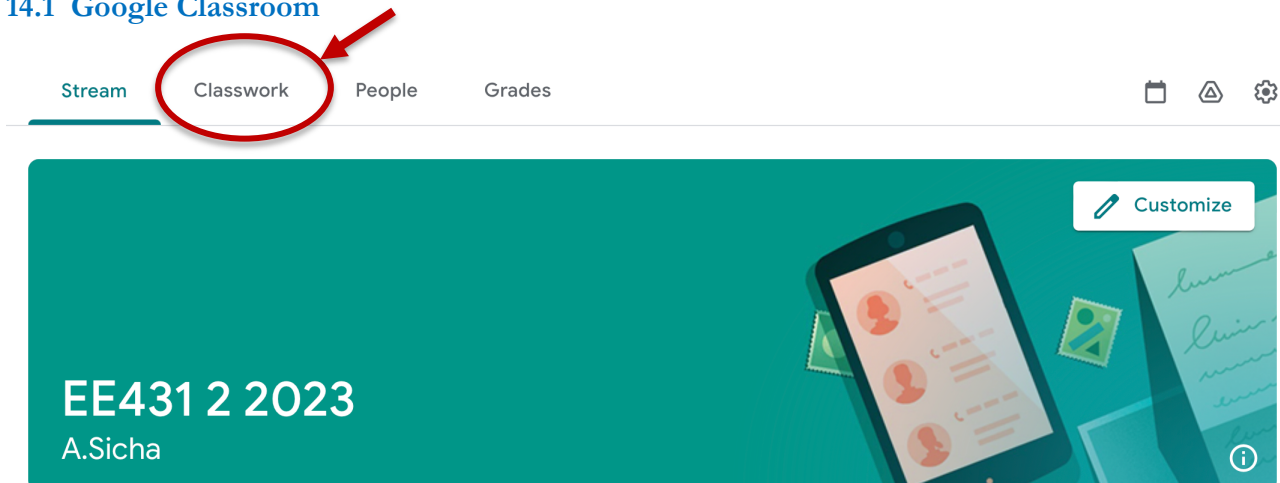
12. Lecture/Schedule

Topics	Reading
Part I : Economic Analysis of Asset Prices	
Topic 1. Financial assets and the overview of financial market (1 time)	FM2009
1.1 Money and Functions of Money	Ch. 1-3
1.2 Money, Wealth, and Income	
1.3 Financial Market and Financial Assets	
1.4 Financial Assets Classified by Information Theory	
1.5 Flows of Funds in The Financial Market	
1.6 Structure of Financial Market	
Topic 2. Debt Market and Structure of interest rates (7 times)	FM2009
2.1 Measuring Interest Rates	Ch.4-6
2.2 Nominal Interest Rates and Real Interest Rates	
2.3 The Behavior of Interest Rates	
2.4 Risk and Term Structure of Interest Rates	
Topic 3. Mean-Variance Analysis (3 times)	Copeland2005 Ch.5
3.1 Measuring Risk and Returns for a Single Asset	
3.2. Measuring Portfolio Risk and Returns	
3.3. Efficient Frontier with Two Risky Assets	
3.4. Efficient Frontier with One Risky and One Risk Free Asset	
3.5. Optimal Portfolio Choice N Risky asset	
3.6. Optimal Portfolio Choice N Risky asset and One Risk Free Asset	
Topic 4: Capital asset pricing model (CAPM) and Arbitrage Pricing Theory (APT) (4 times)	Copeland2005 Ch.6
4.1 Capital Asset Pricing Model • Portfolio Diversification and Individual Asset Risk • Assumptions • The Efficiency of Market Portfolio • Derivation of CAPM • Properties of CAPM	
4.2 Arbitrage Pricing Theory	

Topics	Reading
Part II : Financial Institution, Financial Market and Asymmetric Information	
Topic 5. Financial institutions (2 times)	FM2009
5.1 Introduction	Ch.9 -11
5.2 Major risks faced by banks	KM 2008
5.3 Liquidity Management and The Role of Reserve	
5.4 Interest Rate Risk Management	Ch.7
5.5 Credit Risk Management	
5.6 Capital Adequacy Management	
Topic 6. Theory of financial intermediation (5 times)	PS2000
6.1 Introduction	Ch.8
6.2 Shortcomings of direct finance	Diamond (1996)
6.3 How banks help to resolve the problem?	
(a) Confidentiality and The Banking Relationship	
(b) Economies of Scale and Role of Diversification in Banking:	
Financial Intermediation as Delegated Monitoring	
Topic 7. Convexity, excessive risk, and bank regulation (5 times)	PS2000
7.1 Decision Under Uncertainty	Ch.9
7.2 Agency Cost of Debt Finance: Conflict between a firm's bondholders and stockholders	KM 2008
7.3 Asset Substitutions Problem	Ch.8
7.4 How to solve asset substitution problem?	
7.5 Adverse Selection and Credit Rationing	
Topic 8. Bank runs, systemic risk and deposit insurance (4 times)	Diamond (2007)
8.1 Introduction	
8.2 Demand for Liquidity	
8.3 Bank Liquidity Creation	
8.4 Bank Runs	
8.5 Suspension of Convertibility and Deposit Insurance	
8.6. Note on the optimal level of liquidity	

13. Class Online Material

14.1 Google Classroom



Example a Display in the Google Classroom from the Past Semester

Important Announcement

	Tentative Final Exam Cover Page and ...	Posted Dec 12
	Material Permission Form - Final	Posted Dec 2
	Make-up class: The class on Nov 28 wi...	Posted Nov 23

Course Outline

	Course Outline	Posted Aug 3
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Score Announcement

	Midterm Exam Score	Posted Oct 13
	Quiz Score 10%	Posted Sep 2
	Homework Score 5%	Edited Sep 2

Homework



	Homework 12 : Due 5 December	Posted Nov 29
	Homework 11: Due 5 December 2023	Posted Nov 22
	Homework 10 : Deadline - November 21	Posted Nov 15
	Homework 9: Deadline 7 Nov	Posted Nov 2

Topic 1. Overview of Financial Markets



	Class Note - 15 Aug	Posted Aug 16
	Lecture Presentation: Chapter 1. Over...	Posted Aug 14

Topic 2. Debt Market and Structure of Interest Rates



	Correction Page 38	Posted Oct 2
	Class note: 19 Sept (Correction - Page...	Edited Oct 2
	Class Note : Sept 12	Posted Sep 13
	Class Note: Sept 5	Posted Sep 6
	Class note: Aug 29 - Please see page 1...	Edited Aug 30
	Class note: Aug 22	Posted Aug 23
	Present Value Tables	Edited Oct 1
	Lecture Presentation: Topic 2. Debt M...	Posted Aug 14

Topic 3. Mean-Variance Analysis



 Class note: October 10, part 1	Posted Oct 17
 Class note: September 26	Posted Sep 26
 Lecture presentation	Posted Sep 26

Topic 4. Capital Asset Pricing Model



 Class note : 24 October	Posted Oct 24
 Class note: Oct 17	Edited Oct 18
 Class note : October 10 , part 2	Edited Oct 17
 Lecture Presentation Topic 4	Posted Oct 10

Topic 5. Bank Management



 Class note : October 31	Posted Oct 31
 Commercial Bank's Income Statement	Posted Oct 24
 Commercial Bank's Balance Sheet	Posted Oct 24
 Lecture Presentation: Topic 5	Edited Oct 24

Topic 6. Theory of Financial Intermediation



 Class note: November 14	Posted Nov 14
 Class note : November 7	Posted Nov 7
 Lecture Presentation Topic 6	Posted Oct 17
 Main Reading Material - Journal Articl...	Posted Aug 14

Topic 7. Convexity, Excessive Risk and Bank Regulatio... :



Class note: November 21, Ch7

Posted Nov 22



Lecture Presentation : Topic 7

Posted Oct 17

Topic 8. Bank Run, Systemic Risk and Deposit Insuran... :



Class note : Nov 28

Posted Nov 28



Lecture Presentation - Topic 8

Posted Oct 17



Main Reading Material: Banks and Liqu...

Posted Aug 17

Definitions

- A lecture Presentation is a PowerPoint presentation used in the class. It will be uploaded to the Google Classroom before the date of each class. A student should prepare it before attending the class.
- A class note is the lecture presentation with the lecturer's writing in the class. It will be uploaded to the Google Classroom within 7 days after the class.
- Quiz and Homework Scores will be uploaded in a shared GG sheet. The score for each homework/quiz will be announced within 7 days after the deadline of each homework or after the date of the quiz.

14.2. How to find a Solution for Homework: An Example of a Solution for Each Homework from the Past Semester

EE4311 2023

Important Announcement

- There is no homework this week (10 October). Homework 7 will be availabl...
Posted 10 Oct
- Tentative Midterm Exam Cover Page
Posted 1 Oct
- Midterm Exam Preparation
Posted 26 Sept
- Class policy for 5% homework score
Posted 29 Aug
- Policy for 10% Quizzes and In-class Activities
Posted 29 Aug

Course Outline

- Course Outline
Posted 3 Aug

Score Announcement

- Midterm Exam Score
Posted 13 Oct
- Quiz Score 10%
Posted 2 Sept
- Homework Score 5%
Posted 2 Sept

Solution to Quiz

Google Sheet Link for Homework Score

Stream Classwork People

Homework_score_1_2023

File Edit View Insert Format Data Tools Extensions Help

75% 123 Arial 15 B I

C10 Solution in the sheet "HW1_ans"

Homework is counted for 5% of total score

For every student, ONE homework with the lowest score will be dropped.

If you would like to see your homework (he questions and their alternatives), a copy of your homework is sent to your @st.econ.tu.ac.th at the time you submit each homework. You may search your mail box using the key word "EE431" or "Google forms"

information on where you can find the solution for each homework, either (1) in your @st.econ.tu.ac.th mailbox or (2) sheet HW#_ans in the google sheet

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
			HW1 (100)	HW2(100)	HW3(100)	HW4(100)	HW5(100)	HW6(100)	HW7(100)	HW8(100)	HW9(100)	HW10(100)	HW11(100)	HW12(100)	HW13(100)	HW14(100)	HW15(100)	HW16(100)	HW17(100)	HW18(100)	HW19(100)	HW20(100)	HW21(100)	HW22(100)	HW23(100)	HW24(100)
10			Solution is in the sheet "HW1_ans"	Solution is in the sheet "HW2_ans"	Solution is in the sheet "HW3_ans"	Please check your email@st.econ.tu.ac.th for the solution : You may search "EE431" in your inbox.	Please check your email@st.econ.tu.ac.th for the solution : You may search "EE431" in your inbox.	Please check your email@st.econ.tu.ac.th for the solution : You may search "EE431" in your inbox.	Solution is in the sheet "HW7_ans_Q2_Q13 and HW7_ans_Q14_Q24"	Solution is in the sheet "HW8_ans"																
13	3	6304600098	75	42	76	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
14	4	6304600002	52	78	68	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
15	5	6404640004	100	80	100	95	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58
16	6	6404640007	90	80	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
17	7	6404640000	95	80	88	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
18	8	6404640008	79	90	94	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
19	9	6404641000	95	70	82	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
20	10	6404641000	80	60	94	90	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
21	11	6404641003	100	60	100	90	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

HW_SCORE HW1 HW2 HW1_ans HW2_ans HW3 HW3_ans HW4 HW5 HW6 HW7 HW7_ans_Q2 HW7_ans_Q13 HW7_ans_Q14 HW8 HW8_ans

Example of a homework

EE431 Homework 1: Due 23 January

11.59 pm

1. Please be careful when you answer the 1st and the 2nd question. If your answer to the 1st or the 2nd question is wrong, your homework may not be graded. You will receive 0 marks.

2. You can submit only one time. Please make sure everything is OK before you submit your homework.

3. Late submission is not counted. Please spare some time for the system to operate.

4. After you submit, you will receive a confirmation email. You may check your@st.econ.tu.ac.th to see whether you have successfully submitted the homework or not.

5. If there is any mistake, I do apologize. Please notify me if there are any by emailing me - at sicha@econ.tu.ac.th.

6. **This homework** is multiple choices or short answers. The advantage of these types of questions is that students can quickly respond. The test **grades on only the final answer. Exams will be essay questions.** Please make sure you can deliver the process that led to the solution. **Exam grading depends on both the final answer and the quality of your explanation.**

7. There will be 12 homework. **TWO** homework with the lowest score will be dropped.

8. Homework is 5% of the grade.

demostudent1@st.econ.tu.ac.th [Switch account](#)

* Indicates required question

Email *

☐ Record demostudent1@st.econ.tu.ac.th as the email to be included with my response

1. Student ID [*** If you give a wrong answer for this question, your homework will not be graded***] *

Your answer

2. Let Z be the last digit of your student ID. If the last digit of your student ID = 0, use Z = 5. For example, if your student ID is 6404640356, your Z = 6. If your student ID is 6404642120, your Z = 5. What is your Z? [*** If you give a wrong answer for this question, your homework will not be graded***] [***Note that this value "Z" will be used in the other questions throughout this homework***] *

Your answer

3. What is Z +1 * 5 points

Your answer

A copy of your responses will be emailed to demostudent1@st.econ.tu.ac.th.

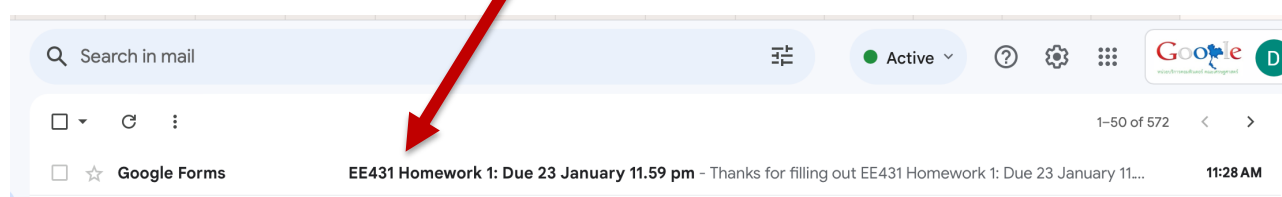
Submit

Clear form

Check the box

For some Questions the answer depends on your "Z" value. Therefore, you must provide a correct value of "Z"

After you click “submit”, a confirmation email with a copy of your homework will be sent to your@st.econ.tu.ac.th mailbox.



In the email, it will appear a copy of your response. This email can be used as evidence of your successful submission of homework.

Example of a Solution to homework, on the Google Sheet

Question :	solution depends on last digit ID	Solution does not depend on last digit ID								
1. Student ID [*** If you give a wrong answer for this question, your homework will not be graded***]	last digit ID is 0	last digit ID is 1	last digit ID is 2	last digit ID is 3	last digit ID is 4	last digit ID is 5	last digit ID is 6	last digit ID is 7	last digit ID is 8	last digit ID is 9
2. Let Z be the last digit of your student ID. If the last digit of your student ID = 0, use Z = 5. For example, if your student ID is 5804640356, your Z = 6. If you student ID is 5904642120, your Z = 5. What is your Z? [*** If you give a wrong answer for this question, your homework will not be graded***] [***Note that this value "Z" will be used in the other questions throughout this homework***]	5	1	2	3	4	5	6	7	8	9
3. Calculate the value of $1 + Z$	6.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00

Example of the homework solution sent to your@st.econ.tu.ac.th email.



***** Please note that if you have not submitted your assignment, neither a copy of the homework nor the solution will be sent to you email.**

Alternatively, you can find your homework in the HW# sheet in the Google Sheet for Homework score. Scroll downward to find your HW, searching for your student ID. Scroll to the right to see more questions. The picture below shows an example from previous semester.

docs.google.com/spreadsheets/d/1fuAA4PDOuD_der3QyN2vg5fChFHE4bwqJJZLd898UCg/edit?resourcekey=&gid=1977209934#gid=1977209934

File Edit View Insert Format Data Tools Extensions Help

100% 123 Roboto 10 B I A

D3 100

Timestamp	ID	Score	1. Student ID [*** If you give a wrong answer for this question, your homework will not be graded***]	3. Which of the following statement is correct?	4. Given the information in Table 1. According to the Expectation Theory, what is the expected YTM on a government bonds with a 1-year time to maturity in 2025 (t+1)?	5. Given the information in Table 1. According to the Expectation Theory, what is the expected YTM on a government bond with 1 year time to maturity in 2026 (t+2)? Please calculate to FIVE decimal places.	6. Given the information in Table 1. According to the Expectation Theory, what is the expected YTM on a government bond with 1-year time to maturity in 2027 (t+3)? Please calculate to FIVE decimal places.	7. Given the information in Table 1. According to the Expectation Theory, how does the market expect interest rates to change?
3/6/2025 14:54:02	6504640621	87 / 100						
3/6/2025 15:30:43	6604641370	100 / 100						

Row 1 contains Questions

scroll to the right for more questions

The GG sheet page show the sheet you choose

Click on the Homework# Sheet you want to see the questions

HW_SCORE HW1 HW_EX1_ANS HW2 HW2_ans HW3 HW4 HW4_ans HW5 HW6

14. Expected Learning Outcomes

1. Morality and Ethics

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students demonstrate integrity.	Quizzes & HW / Exams
○	2. Students prioritize social and public benefits over personal ones.	
●	3. Students are punctual and comply with the code of conduct of the institution and society at large.	Observed class attendance / Quizzes & HW / Exams
○	4. Students are responsible and accountable to society, the nation, and the subject of economics.	
○	5. Students realize the cultural and environmental value of a sustainable society.	

2. Knowledge

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students know and understand modern economics principles and theories, and are up to date with new developments.	In-class participations / Quizzes & HW / Exams
●	2. Students know and understand Thai and global economic structure and the importance of major international economic events.	In-class participations / Quizzes & HW / Exams
●	3. Students know and understand the instruments of economic analysis.	In-class participations / Quizzes & HW / Exams
●	4. Students know and understand applied fields in economics, including monetary, public, international, business, natural resource, and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.	In-class participations / Quizzes & HW / Exams
○	5. Students are informed about related fields including sociology, business administration, education, law policy, and science.	

3. Intellectual Development

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students have developed individual critical thinking.	In-class participations / Quizzes & HW / Exams
●	2. Students are sufficiently trained in research skills.	In-class participations / Quizzes & HW / Exams
●	3. Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand the causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.	In-class participations / Quizzes & HW / Exams

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students are responsible for assigned tasks and work in groups effectively.	In-class participations / Quizzes & HW / Exams
●	2. Students have problem-solving skills.	In-class participations / Quizzes & HW / Exams
○	3. Students show leadership skills and team spirit.	
●	4. Students are always improving themselves.	In-class participations / Quizzes & HW / Exams
○	5. Students have good interpersonal skills, adapt, and work under different conditions.	

5. Quantitative Analysis, communication, and information technology

Applicability	Expected Learning Outcomes	Evaluation Method
○	1. Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.	
○	2. Students communicate effectively and select appropriate presentation methods.	
○	3. Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.	

Remark: ● Primary expected outcome ○ Secondary expected

15. Learning Plan.

<i>Categories</i>	<i>Expected Learning Outcome (Applicable)</i>	<i>CLOs</i>	<i>Teaching Methods</i>	<i>Assesment methods</i>
Knowledge	K1. Acquiring knowledge and understanding of economic theories, fundamental economic tools, theory development, and applied economics. K2. Ability to apply theoretical knowledge to analyze and provide practical suggestions for economic and social issues K3. Ability to appropriately integrate economic knowledge with other study fields K4. Ability to attain lifelong learning and thoroughly understand world economic and societal changes and impacts	CLO 1/ CLO2 / CLO3	Lecture/ Discussion in class,	In-class participations / Quizzes & HW / Exams
Skills	S1. Select and apply economic principles, tools, and methods appropriately to solve economic and social challenges. S2. Acquire analytical and communication skills and ability to interpret data from different sources, analyze, and integrate knowledge to propose appropriate problem solving guidelines for economic and social issues	CLO 1/ CLO2 / CLO3	Lecture/ Discussion in class,	In-class participations / Quizzes & HW / Exams
Ethics	E1. Uphold academic integrity and respect academic freedom E2. Showing self-discipline, social responsibility, and good citizenship E3. Respect rights, opinions, values, and dignity of others. Obey organizational and societal rules and regulations	CLO3	Lecture/ Discussion in class,	In-class participations / Quizzes & HW / Exams
Character	C1. Ability to effectively complete assigned tasks and responsibilities C2. Ability to initiate problem analysis independently and/or in teamwork C4. Show active learning characteristics and aspire to personal development	CLO 3 / CLO4 / CLO5	Lecture/ Discussion in class,	In-class participations / Quizzes & HW / Exams