EE 431: Economics of Financial Markets and Institutions

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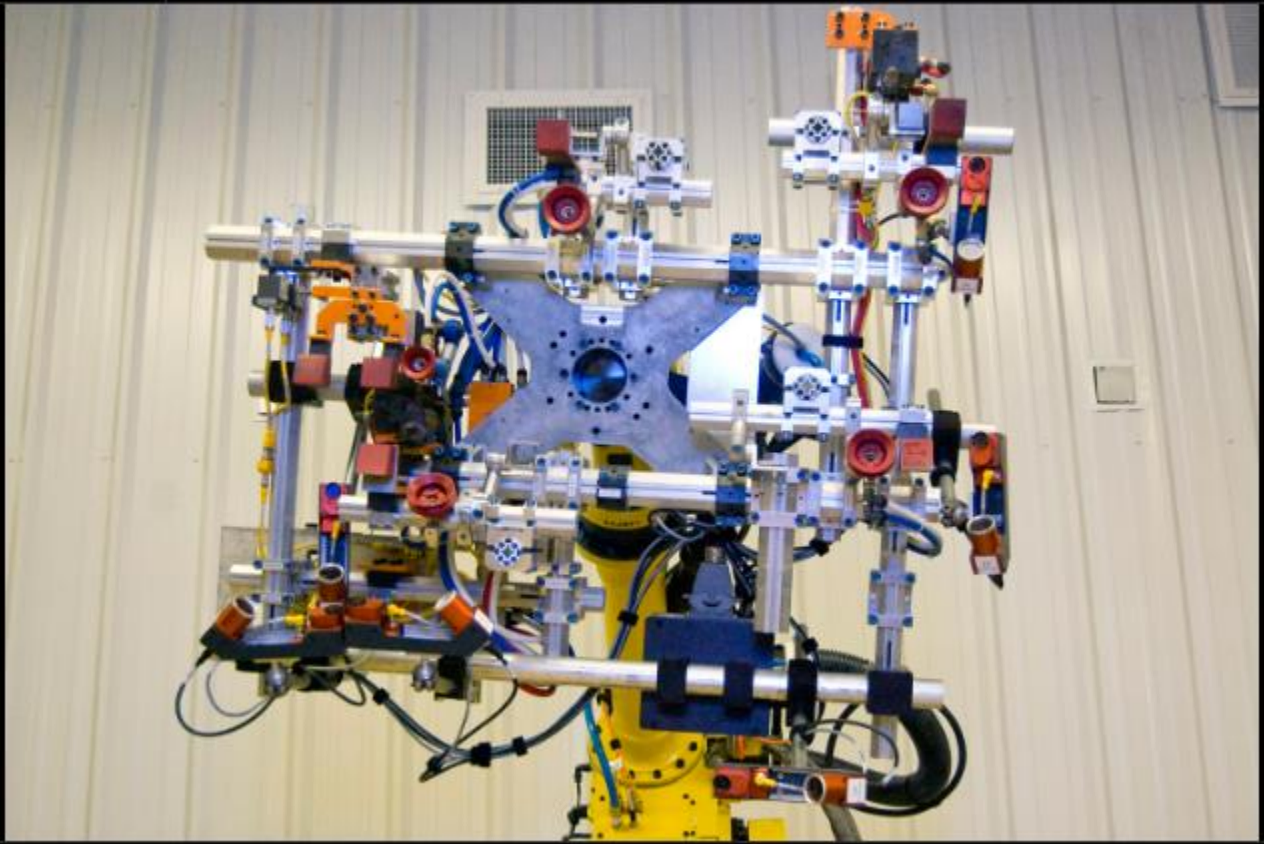
Office Hours: Tues, Thurs 9.30 – 11.30 AM

MOTORTREND

ROBOTS WITH LASER EYES HELP MANUFACTURE 2013 FORD ESCAPE



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Model 3 combines real world range, performance, safety and spaciousness into a premium sedan that only Tesla can build. Our most affordable car yet, Model 3 achieves 215 miles of range per charge while starting at only $35,000 before incentives. Model 3 is designed to attain the highest safety ratings in every category.

215 miles
Range per charge

Under 6 seconds
Zero to 60 mph

Seating for
5 Adults

Designed to achieve
5-Star Safety Rating

Autopilot Hardware

Supercharging

$35,000

Starting price before incentives
Deliveries begin late 2017

Google Home enables users to speak voice commands to interact with services through the Home's intelligent personal assistant called Google Assistant. A large number of services, both in-house and third-party, are integrated, allowing users to listen to music, look at videos or photos, or receive news updates entirely by voice. Google Home also has integrated support for home automation features, letting users speak commands to the device to control smart home appliances.

Augmented reality (**AR)** , is a live direct or indirect view of a physical, real-world environment whose elements are *augmented*by computer-generated sensory input such as sound, video, graphics or GPS data. It is related to a more general concept called computer-mediated reality, in which a view of reality is modified (possibly even diminished rather than augmented) by a computer. Augmented reality enhances one’s current perception of reality, whereas in contrast, virtual reality replaces the real world with a simulated one.

Augment (Android, iOS: Free)

Augment (Android, iOS) lets you place a wide range of virtual objects into your environment, with options to move, resize, capture and share them from within the app. Users can choose from a variety of existing models in the database, scan objects from QR codes or import any created in external 3D modeling programs. Premium accounts on Augment’s platform get access to a host of corporate-friendly features for making sure your product reaches its intended audience.

In the financial world …

K PLUS Features

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Transfer money via mobile phone number or QR Code

Top-up

Topup mobile phone/Easy Pass

Payment

Pay bills via barcode

Mutual Fund

Buy/Sell Mutual Fund

PrompPay

Send or receive money via PromptPay

History

View transaction history

Favorites

Manage your favorite transaction

MyPort

See asset overview

Life PLUS

Expenses records

Services

Apply other services

mPOS – mobile Point of Sale Digio mPOS transforms your smart device into a secured credit card acceptance terminal. You can accept VISA and Master Cards using your exiting smart phone or tablet. It is as easy as inserting a credit card into the mPOS reader, signing on the device screen and receiving an e-Receipt.

How PeerPower works

We're not a bank; We connect business owners with investors through a trusted platform.

Borrower

Uses loans for business purposes; working capital, expansion, refinancing; and repays loans

PeerPower

Screens borrowers through credit scoring and offers a loan quote

Investor

Earns monthly cashflows and diversifies your investment portfolio

TransferWise

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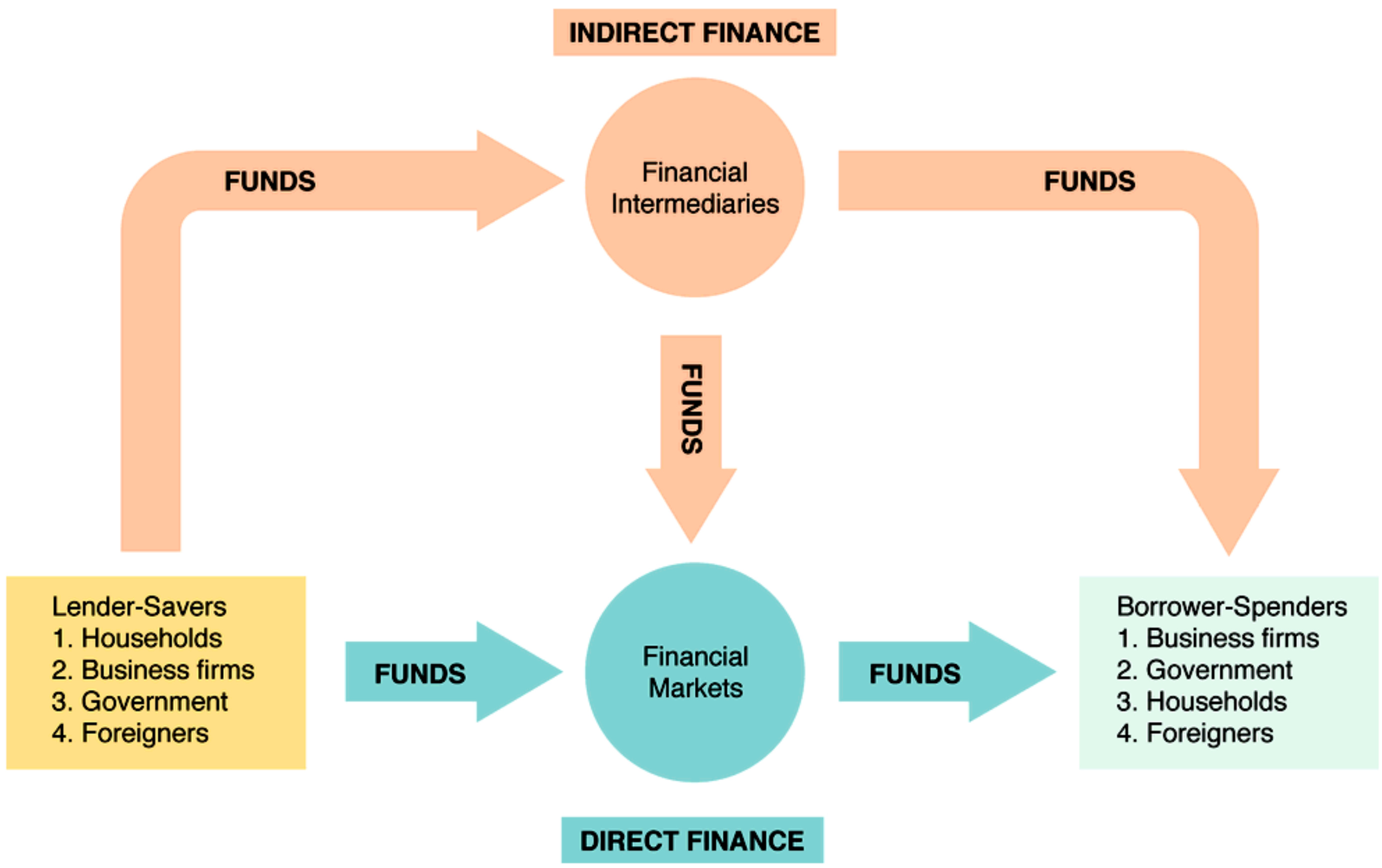
Course Description

Money and capital markets; Financial assets; Financial risks and financial risks bearing; Asset pricing; the CAPM and APT models; Interest rate structure; Bond and equity instruments; Financial derivatives; Asymmetric information in financial market; Financial institutions; Risk management of financial institutions; Monitoring and controlling of financial institutions; The deposit insurance system

Money and the Financial System

- We use money in our daily life.
- Why do we use money?
- We will see that money affects our lives in various aspects.
- We, economists, think that ***financial system*** transfers funds from people who have an excess of funds to people who have a shortage.
- This promotes economic efficiency as well.


INDIRECT FINANCE
FUNDS
Financial Intermediaries
FUNDS
FUNDS
Lender-Savers
1. Households
2. Business firms
3. Government
4. Foreigners
FUNDS
Financial Markets
FUNDS
Borrower-Spenders
1. Business firms
2. Government
3. Households
4. Foreigners
DIRECT FINANCE

Financial Markets

- This is a main component of the financial system

Bond market

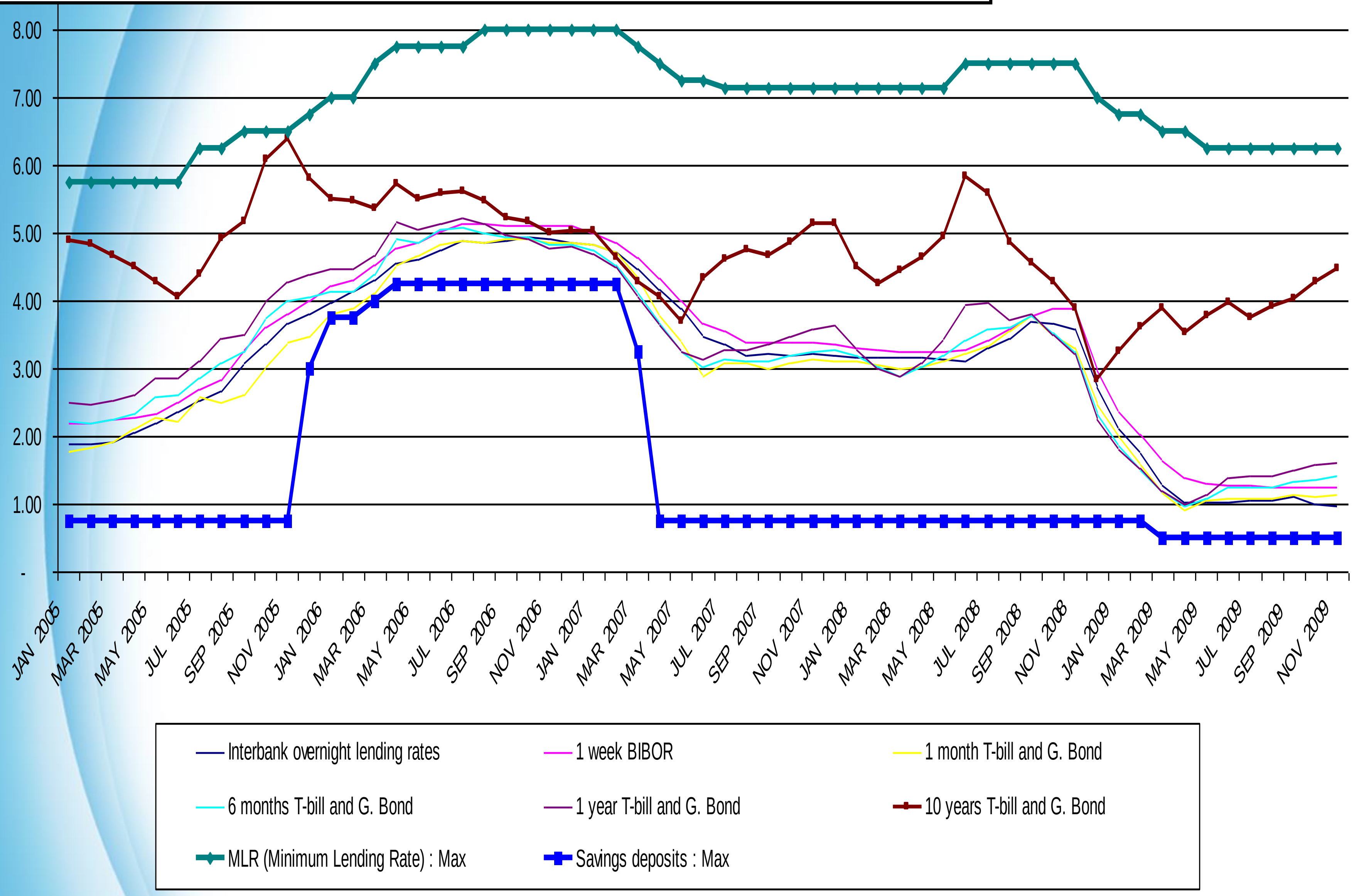
- A *security* is a claim on the issuer's future income or assets
- A *bond* is a debt security that promises to make payments periodically for a specified period of time
- An *interest rate* is the cost of borrowing for the rental of funds.

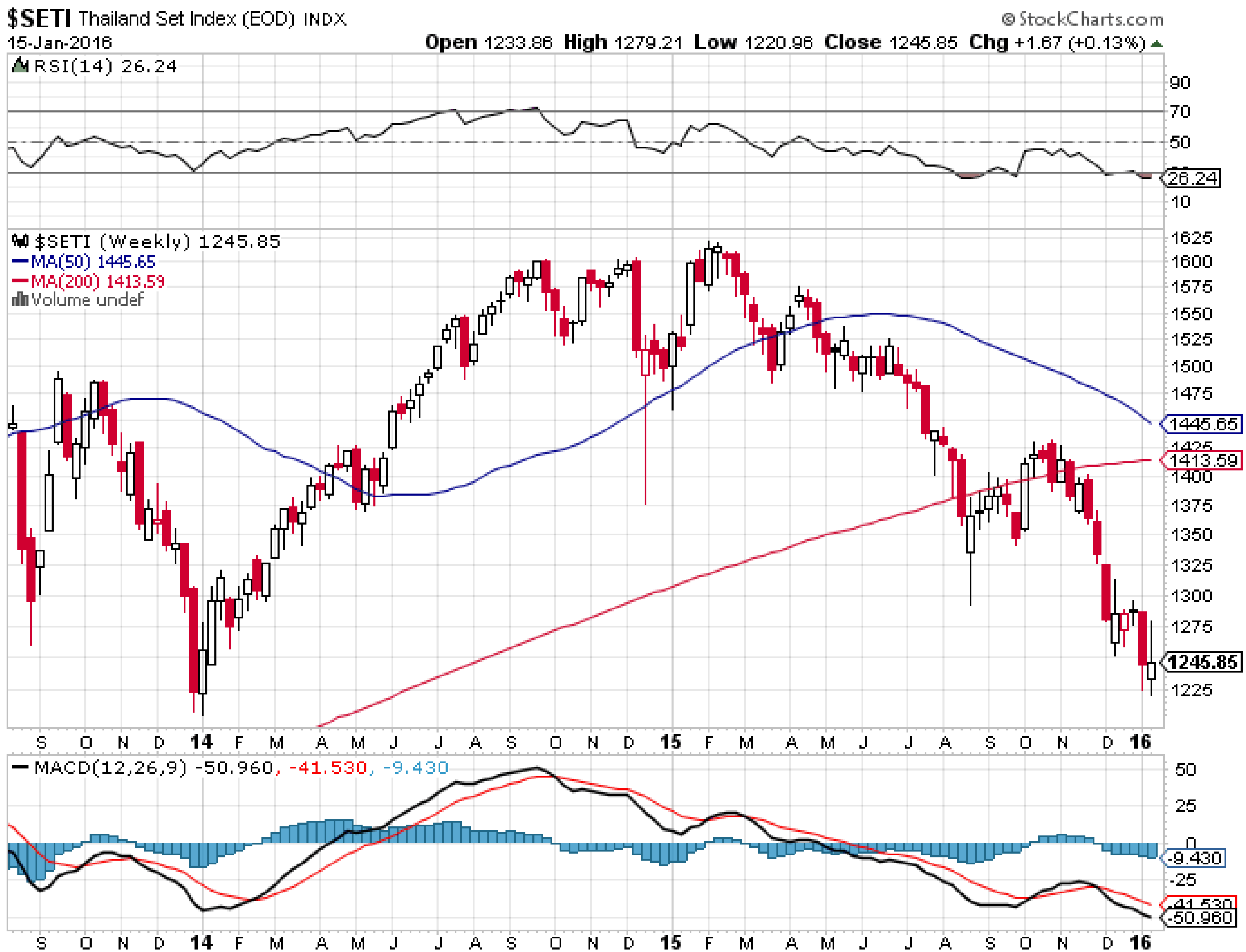
Stock market

- A *common stock* represents a share of ownership in a corporation. It is a security that claims on the earnings and assets of a corporation.

Thai Government Bond

Source:
http://www.bot.or.th/English/Statistics/FinancialMarkets/InterestRate/Pages/StatInterestRate.aspx





$SETI Thailand Set Index (EOD) INDX
© StockCharts.com
15-Jan-2016
Open 1233.86 High 1279.21 Low 1220.96 Close 1245.85 Chg +1.67 (+0.13%)
RSI(14) 26.24
$SETI (Weekly) 1245.85
MA(50) 1445.65
MA(200) 1413.59
Volume undef
MACD(12,26,9) -50.960, -41.530, -9.430

Financial Institutions

- This is another main component of the financial system

Banks

- *Banks* are financial institutions that accept deposits and make loans.
- They are the financial intermediaries that the average person interacts with most frequently.

Other financial institutions

- These include, for example, insurance, finance companies, mutual funds, government financial intermediation, and investment banks.

Eight Basic Facts (1)

STOCKS ARE NOT THE MOST IMPORTANT SOURCES OF EXTERNAL FINANCING FOR BUSINESSES

ISSUING MARKETABLE DEBT AND EQUITY SECURITIES IS NOT THE PRIMARY WAY IN WHICH BUSINESSES FINANCE THEIR OPERATIONS

INDIRECT FINANCE IS MANY TIMES MORE IMPORTANT THAN DIRECT FINANCE

FINANCIAL INTERMEDIARIES, PARTICULARLY BANKS, ARE THE MOST IMPORTANT SOURCE OF EXTERNAL FUNDS USED TO FINANCE BUSINESSES.

Eight Basic Facts (2)

The financial system is among the most heavily regulated sectors of the economy

Only large, well-established corporations have easy access to securities markets to finance their activities

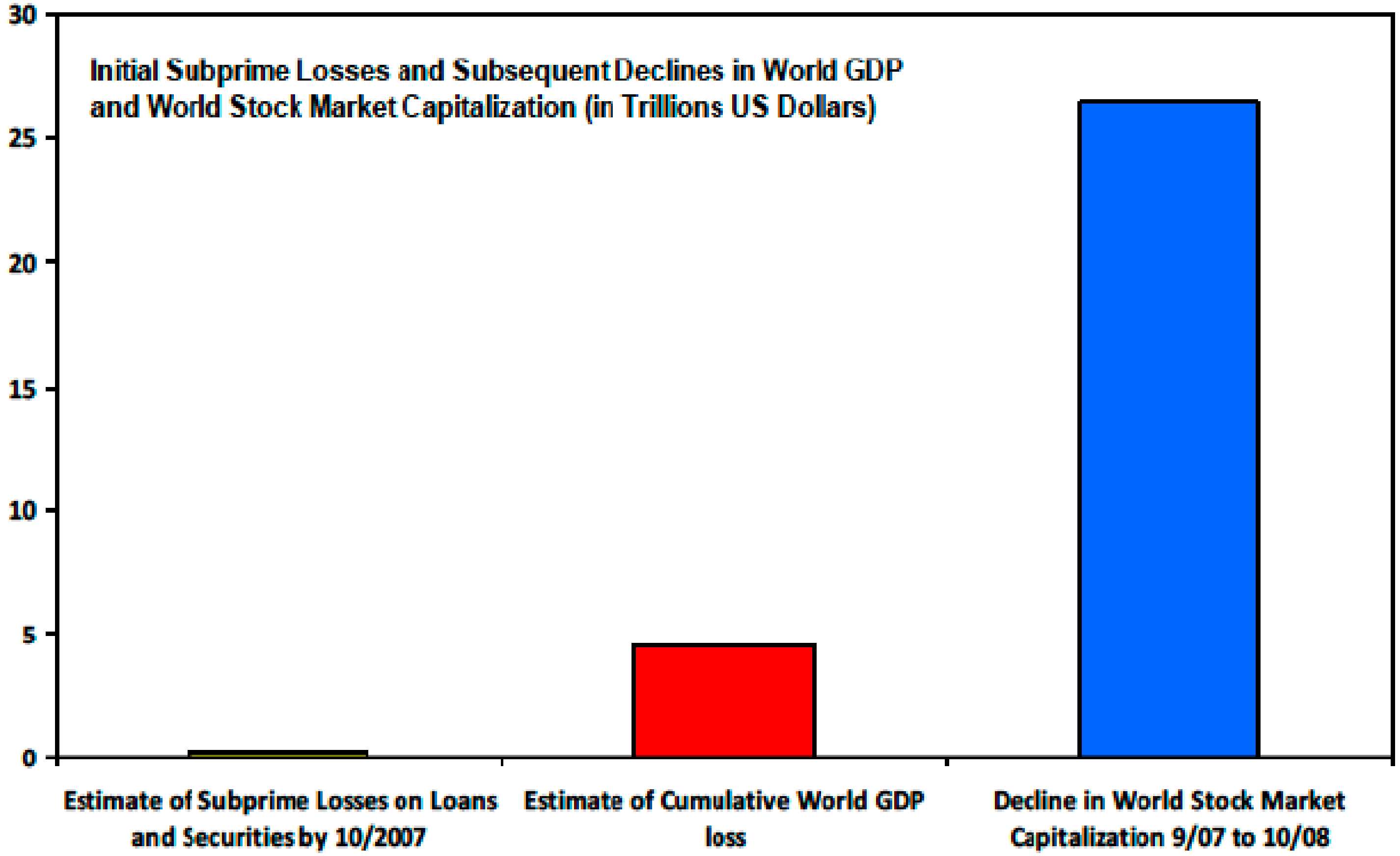
Collateral is a prevalent feature of debt contracts for both households and businesses.

Debt contracts are extremely complicated legal documents that place substantial restrictive covenants on borrowers

Financial Crisis

- Financial sector plays an important role to create or amplify many crises in the past.
- We, as economists, need to understand the relationship between financial sector and crises to solve or prevent the problems in the future.

Figure 1. Initial Subprime Losses and Declines in World GDP and World Stock Market Capitalization

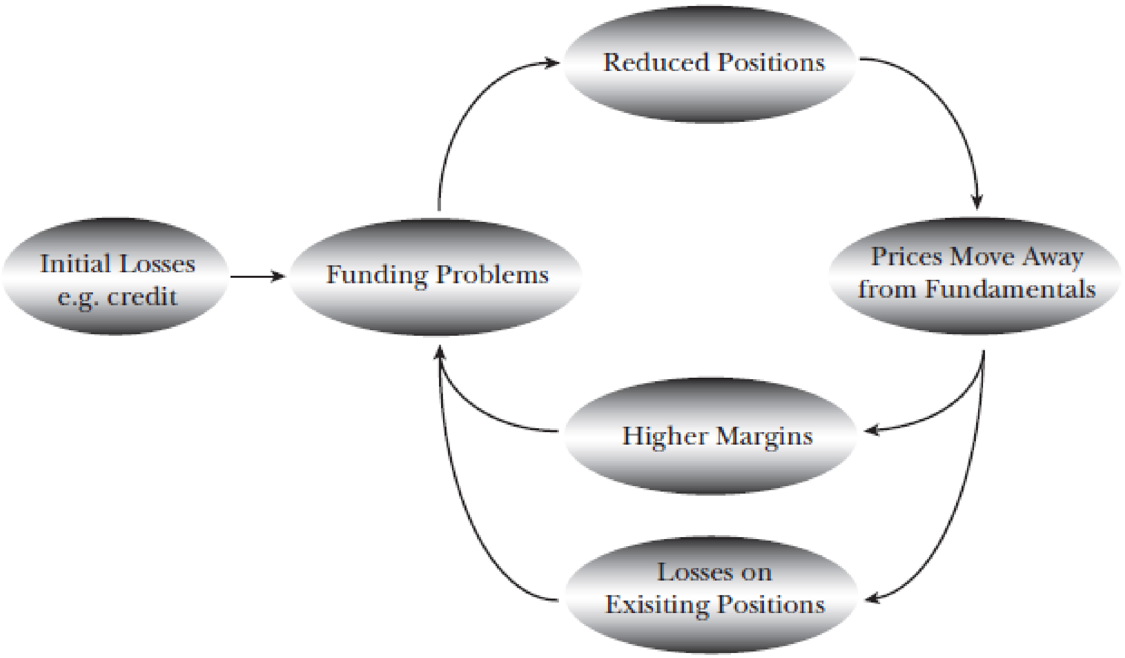


Source: IMF Global Financial Stability Report; World Economic Outlook November update and estimates; World Federation of Exchanges.

Borrower’s Balance Sheet Effects

Figure 4

The Two Liquidity Spirals: Loss Spiral and Margin Spiral



Source: Brunnermeier and Pedersen (forthcoming).
Note: Funding problems force leveraged investors to unwind their positions causing 1) more losses and 2) higher margins and haircuts, which in turn exacerbate the funding problems and so on.

Course objectives

Knowledge

Skills

Evaluation

• Financial games	30%
• Mid-term examination	30%
• Final examination	40%

Financial games

- There will be 2 financial games in this class

Best Life Insurance:

- Each group is required to figured out the most valuable life insurance program for the specified customers.

Value Investor:

- Each group is required to pick up a stock from the Stock Exchange of Thailand, which is best for long-term investment. Explain your reasons, including financial ratios.

- Students should arrange into 6 groups. There will be explanation of each financial game in advance. Each group should prepare to meet with specific questions and make presentations in some specified classes.