FINM3045
Asian Capital Markets

Course Description
This course provides an overview of current Asian capital markets. The growth of Asian economies has been spectacular in the past 60 years; the advancement of Japan from the 1950s until the beginning of 1990s, the emerging Asian Tigers (Hong Kong, Korea, Singapore, Taiwan) in the 1980s, and the rapid transformation and growth of China and India since the 1990s. Asian capital markets are quite diverse as they consist of emerging markets at different stages of development as well as mature markets. Therefore, it is not easy to view Asian capital markets through a single lens. However, this course not only introduces students to capital markets in various Asian countries but also attempts at introducing a unified conceptual framework to understand markets in these countries. The framework focuses on institutional environments (such as legal systems) in different countries and their impacts on corporate behaviours. We also present empirical evidence that such a framework might not necessarily explain the recent developments in China and India. Two of the important features in Asian capital markets, which contrast those of capital markets in UK-US, are the roles played by the State and closely tied families, which we will discuss in detail. The globalization of the world economy in the past two decades has affected the developments of Asian capital markets. Although our course may discuss the development of capital markets of individual countries, we will discuss Asian economies in the global context and will explore the increasing weight of Asia in the world economy. This course is offered to both undergraduate and postgraduate students.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus</th>
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<tbody>
<tr>
<td>Prerequisites</td>
<td>FINM1001, FINM2001, FINM2002 and FINM2003</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>N/A</td>
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<tr>
<td>Course Convener:</td>
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<td>Office hours for student consultation:</td>
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<tr>
<td>Research Interests</td>
<td>Asset pricing and corporate finance, particularly focusing on Asian financial markets and institutions.</td>
</tr>
<tr>
<td>Relevant administrator</td>
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SEMESTER 1
2016

http://programsandcourses.anu.edu.au/2016/course/FINM3045
COURSE OVERVIEW

Learning Outcomes
1. Overview of Asian economies and currency system
2. Conceptual framework for understanding financial markets and institutions
3. Familiarize with reading academic articles
4. Familiarize with financial and corporate governance data analysis
5. Vision for the future of Asian capital markets and economies

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
<th>Linked Learning Outcomes (optional)</th>
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<tbody>
<tr>
<td>1. Final examination</td>
<td>65%</td>
<td>TBA</td>
<td>1-3</td>
<td></td>
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<tr>
<td>2. Group project</td>
<td>35%</td>
<td>Week 11</td>
<td>2-5</td>
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</table>

Research-Led Teaching
Students will be introduced to research through the use of readings from academic journals. Based on recent research in law and economics, the course introduces a conceptual foundation to analyze financial markets. Also, the students are expected to read and extract the essence of research papers that use empirical methods.

Feedback
Staff Feedback
Feedback will be given verbally or by written comments (for project), both to individuals as well as to project groups.

Student Feedback
ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to:
http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies
ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at:
http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rules 2014 before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations
Recommended Resources

Library sources and any publicly available sources (such as on the web).

COURSE SCHEDULE

Week 1
0. Introduction
1. Asia’s economy and global imbalance
   - Asia’s economic growth
   - Global imbalance and its cause

Week 2
2. Asia’s currency issue
   - Bretton Woods System II
   - Capital controls and liberalization
   - Road to convertibility: Chinese Yuan

Week 3
3. Asia’s financial markets
   - Asian markets in the global portfolio: Equity and bond markets
   - Currency market
   - Can Asia embrace global financial centres?
   - China’s segmented equity market

Week 4
4. Law and finance: A framework for understanding stakeholders and governance
   - Textbook finance vs. reality
   - Law and finance

Week 5
5. Law and finance: Global and Asian evidence
   - Who controls Asian firms?
   - Shareholder rights: cash-flow rights and voting rights
   - Ownership concentration
   - External finance

Week 6, 7
6. State capitalism Part 1: Asia’s growing sovereign economic power
   - State capitalism
   - State owned enterprises (SOEs) and privatization
   - Market incentives and state objectives
   - Government control of partially privatized SOEs
   - The impact of state on market and firms

Week 8
7. State capitalism Part 2:
   - China’s growth puzzle

Week 9
8. Family capitalism
   - Family control around the world
   - Growth of family business in Asia
   - Is family business a good organizational structure?
     - US example: diversified ownership and good legal environment
     - Asian firms: concentration of control and expropriation

Week 10
9. Informal financial sector and South Asia (India)
   - India’s development and financial markets
     - Financing Indian corporate firms
Corporate groups and informal financing

Microfinance

Week 11
10. Corporate groups
   Korea: Chaebol
      Tunnelling
   Japan: Keiretsu
      Main bank system
      Cross-shareholding

Week 12
11. Global Financial Crisis and lessons from the Japanese Financial Crisis of the 1990s
   The Japanese asset price bubble in the 1990s
   Bank crisis
   De-levering of firms and recession

Week 13
12. Wrap up and left over topics:
   Tale of two cities: Hong Kong and Singapore

Wrap up

ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

Assessment Tasks

Participation
Group project: I will use a peer review for group project.

Assessment Task 1: Group Project on Stock Selection
Details of task (For more details, please see slides presented in class and uploaded on Wattle)
1. Assume that you are a consultant firm to design an investment strategy for a professionally managed portfolio in Asian securities.
2. Your assignment is to design an investment strategy for the fund manager who is going to actually buy and sell individual securities for his/her portfolio.
3. Portfolio strategy must be a conceptual framework for a fund manager that sets its investment policy for a long-term horizon, rather than recommending certain securities to trade at certain timing.
4. Please report below:
   - Three Asian stocks a fund manager might select based on your strategy.
   - Three Asian stocks a fund manager might want to avoid based on your strategy.
   - Choose stocks that are among the largest 10 stocks in terms of market capitalization in each country.
     • You may include more than one stock from a country in your portfolio.
   - Summarize why the fund manager might chose each stock
5. You must take into account what you learn from the course. As you learn more as you proceed in this 12 lecture course, you must discuss and assess your ideas continuously throughout the course with your group mates until you submit the report on the due date.

6. You can use any resources in the library or the web. Most important information will be included in the financial statement of individual firms. Since the constituent firms in the MSCI Asia APEX 50 are large firms, there should be no problem finding information on the web.

7. Report must be not more than 3000 words. Please format the document as a professional consultancy report.

Forming Groups
1. Group size will be determined in Week One based on class size.
2. All students must form groups and the group leader must send one email with the names of all the group members before the beginning of class in Week Three.
3. Anyone not in a group according to those emails from group leaders will be randomly allocated to groups by the next day. I will post the group memberships and the leaders for each group on the Wattle.
4. The group leader becomes responsible for submitting the group assignment.

Assessment Rubrics
The project will be based equally on following rubrics:
1. Strategy: Uses concept from class adequately
2. Logic: Consistency and persuasiveness
3. Presentation: Clarity of presentation

Word limit (where applicable): No more than 3000 words (excluding appendix which has a limit of 3 pages)
Value: 35%
Presentation requirements: No
Estimated return date: Week 11

Assignment submission
Online Submission: Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.

Final Examination
The final examination will be based on all the work covered throughout the duration of the semester. The final examination is worth 70% of the overall course grade. To do very well in the examination, you would need to have accessed the required readings of the course. Students will be provided with further details regarding the exam as it approaches.

Extensions and penalties
Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Returning assignments
The feedback will be returned by email.

Resubmission of assignments
N/A
Referencing requirements

Reading List

(*) indicate required readings. (ref) indicate reference readings. Please click the link to download the articles. All other required and reference readings are uploaded on Wattle.

1. Global imbalance and Asia’s economy

2. Asia’s currency issue

3. Asia’s financial centres

4. Law and finance: A framework for understanding stakeholders and governance of Asian firms

5. Law and finance: Global and Asian evidence

6. State capitalism 1

7. State capitalism 2

8. Family capitalism

9. Informal financial sector and South Asia

10. Corporate groups

11. Global Financial Crisis and lessons from the Japanese Financial Crisis of the 1990s

Regularly reading business newspapers are strongly recommended, such as Business Times (Australia), Financial Times (London), Wall Street Journal (USA). Bloomberg and Yahoo-Finance are good free sources on the internet.
**Scaling**
Your final mark for the course will be based on the **raw** marks allocated for each of your 
assessment items. However, your final mark may not be the same number as produced by 
that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of 
raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark 
will exceed the scaled mark of that student), and may be either up or down.

**Tutorial and /or Seminar Registration**
Enrolment in tutorials will be completed online using the CBE Electronic Teaching Assistant (ETA). To enrol, follow these instructions:

1. Go to http://eta.fec.anu.edu.au
2. You will see the Student Login page. To log into the system, enter your University 
   ID (your student number) and password (your ISIS password) in the appropriate 
   fields and hit the Login button.
3. Read any news items or announcements.
4. Select "Sign Up!" from the left-hand navigation bar.
5. Select your courses from the list. To select multiple courses, hold down the control 
   key. On PCs, this is the Ctrl key; on Macs, it is the ⌘ key. Hold this key down 
   while selecting courses with the mouse. Once courses are selected, hit the SUBMIT 
   button.
6. A confirmation of class enrolments will be displayed. In addition, an email 
   confirmation of class enrolments will be sent to your student account.
7. For security purposes, please ensure that you click the LOGOUT link on the 
   confirmation page, or close the browser window when you have finished your 
   selections.
8. If you experience any difficulties, please contact the School Office (see page 1 for 
   contact details).
9. Students will have until 5pm February 25 to finalise their enrolment in tutorials. 
   After this time, students will be unable to change their tutorial enrolment.

**SUPPORT FOR STUDENTS**
The University offers a number of support services for students. Information on these is 
available online from http://students.anu.edu.au/studentlife/