



北京大學  
汇丰商学院

Peking University HSBC Business School

# FIN 542

## Financial Markets and Investments in China

### (session1)

## Module 1, 2017-2018

### Course Information

---

**Instructor: Xiaotian (Cedric) ZHU, PhD, CFA**

Office: PHBS Building, Room 616

Phone: 86-755-2603-2228

Email: [zhuxiaotian@phbs.pku.edu.cn](mailto:zhuxiaotian@phbs.pku.edu.cn)

Office Hour: By appointment

**Teaching Assistant: Li Liu**

Phone: 86-18001143401

Email: 1601213567@sz.pku.edu.cn

**Classes:**

Lectures: Tue & Fri, 10:30-12:20

Venue: PHBS Building, Room 229

**Course Website:**

## 1. Course Description

### 1.1 Context

Course overview:

This course will cover financial investments in China, focusing on both traditional and alternative investments that are popular among current investors. Modern Portfolio Theory (MPT) serves as the theoretical framework for the course. We consider each investment vehicle from a portfolio management perspective, providing detailed analysis of institutional characteristics, trading behaviour, and asset properties, etc. that are particular to Chinese markets. Comparative analysis will be carried out between Chinese financial system and the systems of other major countries. The course will begin with the central bank, walk through various markets and institutions, and end with financial innovation and regulation.

After this course, students shall not only understand the general picture of a financial system, but also the particular characters of Chinese financial markets and institutions. They shall also learn the methods and skills to analyse financial problems from a global perspective.

Class participation is required, and the teaching will be a combination of lecturing, discussion, case study and empirical work.

Prerequisites:

### 1.2 Textbooks and Reading Materials

**Required Text:**

Lecture notes and supplemental materials will be provided to students, by in-class handouts and by archives in the Course Management System. Check also the reading lists of papers.

**Recommended References:**

- Jeff Madura, 2008, Financial Institutions and Markets, 8<sup>th</sup> edition, Thomson South-Western.
- Frank K. Reilly and Keith C. Brown, 2012, Investment Analysis and Portfolio Management, 10<sup>th</sup> edition, Thomson South-Western.
- Douglas J. Elliott and Kai Yan, 2013, The Chinese Financial System: An Introduction and Overview, John L. Thornton China Center at Brookings.
- China's Financial Sector: Institutional Framework and Main Challenges, China Special, Deutsche Bank Research.
- China's Financial Markets – a Future Global Force, 2009, Deutsche Bank Research.
- The China Monetary Policy Handbook (2<sup>nd</sup> Edition), 2011, UBS.
- The China Bond Market Investors Handbook, 2015, Guotai Junan Securities.
- Investing in China's Bond Market: An Overview for Global Investors, 2016, Deutsche Bank.

**2. Learning Outcomes****2.1 Intended Learning Outcomes**

<b>Learning Goals</b>	<b>Objectives</b>	<b>Assessment</b>
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Final project
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	In-class presentation
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Group discussion and final project
	2.2. Students will be able to apply leadership theories and related skills.	Group work in the class
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	Case study analysis
	3.2. Our students will practice ethics in the duration of the program.	Group discussion
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Comparative analysis between China and foreign Markets will be carry out in the class
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Fundamental theories introduced in the class
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Case study analysis and final project
	5.3. Our students will demonstrate competency in critical thinking.	Discussion in the class

**2.2 Course specific objectives**

Objective1: Students will be knowledgeable of institutional characteristics, trading behaviour, and asset properties, etc. that are particular to Chinese markets.

Objective2: Students will have a better understanding of the portfolio management in Chinese markets from a global perspective.

### 2.3 Assessment/Grading Details

<b>In-class participation (30 %)</b>
1) Actively participate in class discussion. 2) Present in group project and case summary.
<b>Presentation (30 %)</b>
1) Group presentation on weekly discussion topic. 3) Provide practical solutions or novel opinions
<b>Final Projects (40 %)</b>
1) Hard copy of the project. 2) Solving the business problem by group work. 3) Provide insight and analysis on the results.

### 2.4 Academic Honesty and Plagiarism

It is important for a student’s effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

## 3. Topics, Teaching and Assessment Schedule

Course Schedule: Minor modifications to this schedule are possible. The professor will inform you if modifications are made.

<b>Schedule</b>	<b>Lecture Topics</b>
Week 1	Modern Portfolio Theory and Portfolio Management Process - Globalization and asset integration/diversification - Selecting investment in a global market - Strategic asset allocation issues
Week 2	Central Bank and Monetary Policy - Origin of central bank/central bank independence - Monetary policy targets and tools - Monetary policy and assets - China’s central bank and monetary policy - China’s financial sector: institutional framework and main challenges

	- Discussion Topic 1
Week 3	Debt Market and Interest Rate <ul style="list-style-type: none"> <li>- The basics of debt market structure</li> <li>- Debt pricing theory</li> <li>- Interest rate determination/Interest rate term structure</li> <li>- Overview of China's domestic bond market</li> <li>- The development and new trend on China's bond market</li> <li>- Discussion Topic 2</li> </ul>
Week 4	Equity Market <ul style="list-style-type: none"> <li>- The basics of equity market structure</li> <li>- Equity pricing theory/ stock selection</li> <li>- Overview of China's equity markets</li> <li>- The development and new trend on China's equity market</li> <li>- Discussion Topic 3</li> </ul>
Week 5	Derivatives Market <ul style="list-style-type: none"> <li>- Commodity market</li> <li>- Options, Futures and Swaps</li> <li>- Overview of China's derivatives market</li> <li>- The development and new trend on China's derivatives market</li> <li>- Discussion Topic 4</li> </ul>
Week 6	Commercial Banks <ul style="list-style-type: none"> <li>- Commercial bank business and regulations</li> <li>- Overview of China's banking system</li> <li>- The development and new trend on China's banking system</li> <li>- Discussion Topic 5</li> </ul>
Week 7	Other Non-Banking Financial Institutions <ul style="list-style-type: none"> <li>- Securities company</li> <li>- Insurance company</li> <li>- Mutual fund</li> <li>- Overview of China's non-banking financial institutions</li> <li>- Development and trend on China's non-banking financial institutions</li> <li>- Discussion Topic 6</li> </ul>
Week 8	Asset Management <ul style="list-style-type: none"> <li>- Traditional assets and investment</li> <li>- Alternative assets and investment</li> <li>- Overview of China's asset management industry</li> <li>- Development and trend of China's asset management industry</li> <li>- Discussion Topic 7</li> </ul>
Week 9	Financial Innovation and Regulation <ul style="list-style-type: none"> <li>- Innovation vs. regulation: theory and practice</li> <li>- Reviews of financial regulatory reform in China</li> </ul>

Important Deadlines:

By end of the Class of Week 1: Group Selection Due

By end of the Class of Week 9: Final Project by Group Due

**4. Miscellaneous**

For group presentation and final project, our class will have a number of groups with 6 students in each. Each group will choose one topic for their group presentation. The candidate topics are listed in the CMS document titled "Candidate Topics for Group Presentations on Class FIN542". Please send your group selection as well as your group's topic selection to the Teaching Assistant, Li Liu.