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.

Semester and Year | S1 2015
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Mode of Delivery | On campus
Incompatible Courses | N/A
Course Convener | Takeshi Yamada
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Consultation hours: | By appointment
Bio and research interests | Professor Takeshi Yamada joined the Research School of Finance, Actuarial Studies and Applied Statistics in January 2015. He received his PhD from University of California, Berkeley, and has previously taught at the University of Adelaide, the National University of Singapore and the Hong Kong University of Science and Technology. He is an expert in asset pricing and corporate finance, particularly focusing on Asian financial markets and institutions.
Student Administrators | Patty Penm
CBE 4.48, Phone: 6125 1526
Patricia.Penm@anu.edu.au
COURSE OVERVIEW

Course 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

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.

Continuous Improvement
We use feedback from students, professional bodies and staff to make regular improvements to the course. This is a new course. Your feedback is appreciated.

Technology, Software, Equipment
N/A

Requisites
To enroll in this course you must have completed FINM1001, FINM2001, FINM2002 and FINM2003.

Co-teaching
This course is offered to both undergraduate and postgraduate students. The expectation and evaluation criteria will be different for the two cohorts. On group assignments, there should be no mixed groups from the two cohorts.

Student Feedback
All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit http://unistats.anu.edu.au/surveys/selt/students/ and http://unistats.anu.edu.au/surveys/selt/results/learning/
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
    Tunneling
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

COURSE ASSESSMENT

<table>
<thead>
<tr>
<th>Item</th>
<th>Title</th>
<th>Value</th>
<th>Due Date</th>
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<tr>
<td>1</td>
<td>Final Examination</td>
<td>70%</td>
<td></td>
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<tr>
<td>2</td>
<td>Group project</td>
<td>30%</td>
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Assessment Task 1: Group Project on Stock Selection (30%)

Details of Task:
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. In the appendix 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.
   - The stocks must be among the constituent stocks in the MSCI Asia APEX 50 (ex-Japan).
   - Briefly 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.

**Submission**

Hard copy submission: Assignments must include a cover sheet. Please keep a copy of tasks completed for your records. There will be a collection box outside CBE 4.48.

**Deadline: End of Week 11**

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 ANU Online.

**Assessment Task 2: Final Examination (70%)**

**Details of task:** 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**

This course will **not** accept late submission of assessment tasks. If a group submits assessment after the due date it will result in a score of zero for the assessment task.

Students applying for extensions will be considered on a case by case basis. Decisions on the extension will be made within 5 working days of the application for an extension, with students to be notified within 3 working days of that decision being made.

**Scaling**

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. 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 or equal the scaled mark of that student), and may be either up or down.

**READING LISTS**

(*) 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
   c. (ref) Global Financial Centres Index

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

Regularity 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.

**TUTORIAL AND/OR SEMINAR REGISTRATION**

There are no tutorials for this course.

**COMMUNICATION**

**Email**

If necessary, the lecturers and tutors for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services' office will also be sent to this email address.

**Announcements**

Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

**Course URLs**

More information about this course may be found on:

- Programs and Courses (http://programsandcourses.anu.edu.au/2015/course/FINM3045)
• The College of Business and Economics website (http://cbe.anu.edu/courses)

• Wattle (https://wattle.anu.edu.au), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

POLICIES

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

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 Student Academic Integrity Policy before the commencement of their course.

Other key policies include:

• Student Assessment (Coursework)
• Student Surveys and Evaluations