



Year	2023/2024	
Course title	Theory of Financial Markets	
Course number	232971 - 0998	3 ECTS points
Lecturer	Pruchnicka-Grabias Izabela , PhD	

#### A. Course objective

The course provides for the theoretical fundamentals of the functioning of the financial markets. It also familiarises students with the financial instruments as well as mechanisms from the price determination processes and provides the relevant analytical methods to analyse those.

#### B. Abstract

1. Financial markets and complete markets theory
2. Informational asymmetry
3. Selected economic theories underlying the financial markets
4. Selected economic theories underlying the financial markets (cntd)
- 5 Price discovery processes in the financial markets
- 6 Selected practical aspects of financial asset price determination
- 7 Macroeconomic interferences
- 8 Asset price bubbles and financial crises
- 9 Microeconomics and utility in the financial markets
- 10 Behavioral finance
- 11 Financial decisions of non-financial market participants
- 12 Financial risk ? theory and measures
- 13 Market risk management
- 14 Liquidity and credit risk management

#### C. Learning outcomes

Knowledge	<ol style="list-style-type: none"> <li>1. Students know the fundamental theories underlying the functioning of the financial markets</li> <li>2. Students understand the role of financial markets in the economy</li> <li>3. Student understands the principle concepts of risk taking and information asymmetry</li> </ol>
Skills	<ol style="list-style-type: none"> <li>1. Students can identify and analyse financial decision.</li> <li>2. Students can identify sources of financial risk and quantify the risk-return relationship</li> <li>3. Students can formulate methods of reducing informational asymmetry in the financial markets.</li> <li>4. Students can apply basic valuation methods</li> </ol>
Social competencies	<ol style="list-style-type: none"> <li>1. Students can actively participate in the financial discussions</li> <li>2. Students can identify behavioral aspects in the financial decision making process.</li> </ol>

D. Main issues	
1	Financial markets and complete markets
2	2. Informational asymetry
3	3. Selected economic theories underlying the financial markets
4	4. Selected economic theories underlying the financial markets (cntd)
5	5 Price discovery processes in the financial markets
6	6 Selected practical aspects of financial asset price determination
7	7 Macroeconomic interferences
8	8 Asset price bubbles and financial crises
9	9 Microeconomics and utility in the financial markets
10	10 Behavioral finance
11	11 Financial decisions of non-financial market participants
12	12 Financial risk ? theory and measures
13	13 Market risk management

**E. Basic literature**

S.N. Neftci: "Principles of Financial Engineering" S. N. LeRoy, J. Werner; Principles of Financial Economics; CUP 2014

**F. Supplementary literature**

F. Fabozzi, T. Neave, G. Zhou; Financial Economics; Wiley 2012 K. Cuthbertson, D. Nitzsche; Quantitative Financial Economics; Wiley 2004 D. Duffie; Dynamic Asset Pricing; PUP 2010

**G. Author's most important publications concerning the offered course**

Izabela Pruchnicka-Grabias, An empirical study on retirement investments,W: red. Ivana Barković Bojanić, Aleksandar Erceg, Aging Society - Rethinking and Redesigning Retirement ,2020; Izabela Pruchnicka-Grabias, Equity Portfolio Optimization With Gold , W: Problemy Zarządzania-Management Issues,2020; Izabela Pruchnicka-Grabias, Interdependence between WTI Crude Oil Prices and the US Equity Market, W: International Journal of Energy Economics and Policy,2022

**H. Numbers of required prerequisites**

not required

**I. Course size and mode**

	Full-time	Saturday-Sunday	Afternoon
<b>Total:</b>	30	28	-
Lecture	30	14	-
Self-study under the supervision of lecturer	-	14	-

**J. Final mark (assessment)**

traditional examination	50%
others	50%

**K. Foreign language requirements**

English

**L. Selection criteria****M. Methods applied**

Lecture  
Self-study under the supervision of lecturer