



MiM 2020-2021 Period 4  
2 credits

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## CAPITAL MARKETS

### Introduction

Capital Markets intends to be an introductory course to the most important investment products, their behaviors as well as their environment. And we will be able to answer questions such as: How should you invest? Or stated differently: What is the optimal investment portfolio for you to hold? How should you balance risk and return? What role do institutional investors have in today's capital markets.

### Objective

The Capital Markets course focuses on the foundations of the financial markets and on the application of modern financial theory to understand portfolio selection and pricing of assets in capital markets. After this course, students will understand the role financial markets and their agents play in managerial decision-making and value creation.

### Competences

#### Basic Competences

- CB6. Possess and understand knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.
- CB7. The students know how to apply the knowledge acquired and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.
- CB8. The students can integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.
- CB9. Students know how to communicate their conclusions and the knowledge and ultimate reasons that support them to specialized and non-specialized audiences in a clear and unambiguous way.
- CB10. Students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

#### General Competences

- CG1 - Listen, understand, and contrast the points of view of others to make an objective composition of a business situation. Communicate in a structured and persuasive way. (Interpersonal communication).
- CG2 - Work effectively in multicultural teams, assuming the leadership of a project when required. Integrate the value of diversity in the decision process and teamwork. (Ability to work in multicultural teams).
- CG3 - Critically evaluate the information and the context of a business situation to reach its own conclusions for making prudential decisions. (Critical thinking).
- CG4 - Acquire the self-knowledge and self-control necessary to work effectively in professional environments under pressure, understanding the motivations of others and the culture of the company. (Emotional intelligence).
- CG5 - Apply proven ethical criteria in making business decisions, respecting the intrinsic dignity of each person and the achievement of the common good. (Integrity).
- CG6 - Develop a proactive and open mindset to organizational change in order to design and promote process improvement initiatives and facilitate one's ability to adapt to new organizational cultures. (Innovative spirit).

### **Specific Competences**

- CE01 - Identify the relevant data to diagnose a business problem and generate sensible decision
- CE11 - Manage in a multidisciplinary manner for the definition of products and services, aimed at reinforcing their commercialization ("business development").

### **Content**

This course will cover the following topics:

- Fixed-Income Securities: Bond valuation, risk-free rate, term structure of interest rates, forward rates, credit risk, bond portfolio strategies, interest rate risk
- Relationship between Risk and Return: diversification and the layers of asset management, risk reduction strategies, Multi-factor models
- Applications of Portfolio Management: Efficient markets, performance evaluation, active and passive management, asset allocation strategies, timing and selection
- Derivative Securities: Introduction to Options and Futures
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### **Evaluation**

The final grade is based on class participation (30%), and final exam (70%).

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.