Course and Examination Fact Sheet: Spring Semester 2020

8,170: Monetary Policy and Financial Markets

ECTS credits: 2

Overview examination/s
(binding regulations see below)
Decentral - Written examination (100%, 60 mins.)

Attached courses

Timetable -- Language -- Lecturer
8,170.1.00 Monetary Policy and Financial Markets -- Englisch -- Ranaldo Angelo

Course information

Course prerequisites
The course assumes knowledge of basic macroeconomic principles from the Bachelor level. It is recommended to take the MBF compulsory course "Financial Markets" (7,150) before this course.

Learning objectives

- Learn the main interactions between monetary policy and financial markets.
- Study how monetary policy affects financial markets and market participants including financial institutions.
- Understand the main standard and non-standard (e.g. Quantitative Easing) policies.
- Get an overview of new developments in the field of central banking, such as Central Bank Digital Currencies.

Course content

The main objective of this course is to learn how monetary policy interacts with financial markets. The course is divided into three parts. In the first part, we study standard monetary policy, the mandates of different central banks, and how monetary policy is implemented (transmission mechanism). We learn how monetary policy can be effective working through financial markets and why financial intermediation and financial markets are a key part in the transmission process. The second part of the course focuses on unconventional measures taken by central banks in response to the recent financial crisis. We analyze how the crisis has changed central banking and the problems arising when interest rates reach the zero lower bound. We discuss how central banks try to alleviate financial disruptions that threaten the economy and which remedies have been put forward to restore well-functioning financial intermediation. Thus, we analyze several unconventional measures including the U.S. Federal Reserve's Quantitative Easing (QE) and the European Central Bank's Long Term Refinancing Operations (LTRO) and well as the Public Sector Purchase Programme (PSPP). In the third part, we take a more critical point of view and discuss the limits and drawbacks of unconventional policies including regulatory arbitrage and collateral scarcity. Also, we take a closer look at new developments in monetary policy. Central banks around the world start looking and experimenting with blockchain technology. We discuss how things like Central Bank Digital Currencies could change the future of central banking.

Students who successfully complete this course will be able to understand the interdependence between monetary policy and financial markets and to comprehend the key challenges facing central banks and financial markets in the next years.

Course structure

Introduction
Mandates of central banks
Monetary Policy Tools
How crisis changed Central Banking
Zero lower bound
Unconventional measures
Limits and drawbacks of unconventional monetary policy
New developments in monetary policy and central banking

Course literature
Relevant literature will be announced in class. The slides will be the main teaching material. Selected chapters will be taken from:


We will also refer to selected academic papers.

Additional course information
This course is especially suitable for graduate students in finance and economics. However, participants of other master's programs are welcome.

Examination information

1. Examination sub part (1/1)

Examination time and form
Decentral - Written examination (100%, 60 mins.)

Remark
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Examination-aid rule
Extended Closed Book
The use of aids is limited; any additional aids permitted are exhaustively listed under “Supplementary aids”. Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids
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Examination languages
Question language: English
Answer language: English

Examination content
The students' examination is a closed-book written exam based on multiple-choice and open questions. The written exam will take place after the semester break.
Examination relevant literature
The compulsory literature for the exam is the teaching material used during the lectures, in particular the slides. Selected chapters will be taken from the following textbooks:


Please note
Please note that this fact sheet alone is binding and has priority over any other information such as StudyNet (Canvas), personal databases or faculty members’ websites and information provided in their lectures, etc.

Any possible references and links within the fact sheet to information provided by third parties are merely supplementary and informative in nature and are outside the University of St.Gallen’s scope of responsibility and guarantee.

Documents and materials that have been submitted no later than the end of term time (CW21) are relevant to central examinations.

Binding nature of the fact sheet:

- Information about courses and examination time (central/decentral) and examination type starting from the beginning of the bidding on 23 January 2020
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for decentral examinations after the 4th semester week on 16 March 2020
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for central examinations as from the starting date for examination registration on 6 April 2020

Please consult the fact sheet again after these deadlines have expired.