

**City University of Hong Kong
Course Syllabus**

**offered by Department of Economics and Finance
with effect from Semester A 2017/18**

Part I Course Overview

Course Title:	Trading Room Workshop
Course Code:	EF4323
Course Duration:	1 Semester
Credit Units:	3
Level:	B4
Proposed Area: <i>(for GE courses only)</i>	<input type="checkbox"/> Arts and Humanities <input type="checkbox"/> Study of Societies, Social and Business Organisations <input type="checkbox"/> Science and Technology
Medium of Instruction:	English
Medium of Assessment:	English
Prerequisites: <i>(Course Code and Title)</i>	CB3410 Financial Management or FB3410 Financial Management EF3320 Security Analysis and Portfolio Management
Precursors: <i>(Course Code and Title)</i>	EF3333 Financial Systems, Markets and Instruments
Equivalent Courses: <i>(Course Code and Title)</i>	Nil
Exclusive Courses: <i>(Course Code and Title)</i>	EF4322 Trading Room Workshop

Part II Course Details

1. Abstract

Several studies, such as Flanegin and Rudd (2005), suggested that the divergence in subjects covered in university finance programs and those used by practitioners on a fairly consistent basis in their jobs do exist. This course aims to bridge the gap. To achieve the objective, the course is divided into four major parts. The first part of the course describes the various activities that go on inside a trading room. The second part of the course is technical analysis. The third part of the course is trading simulation using the Financial Trading System (FTS). The fourth part is group project.

This course aims to provide students with:

- actual trading experience to supplement various segments of an investment course via experimental learning and simulated trading;
- the ability to apply finance theories to actual trading in different financial market;
- the ability to utilize popular professional databases to enhance financial analysis;
- an understanding of how insights of behavioural finance complement the traditional finance paradigm; and
- an understanding of major applications of technical analysis.

2. Course Intended Learning Outcomes (CILOs)

(CILOs state what the student is expected to be able to do at the end of the course according to a given standard of performance.)

No.	CILOs [#]	Weighting* (if applicable)	Discovery-enriched curriculum related learning outcomes (please tick where appropriate)		
			A1	A2	A3
1.	Apply the finance theories to make informed investment decisions, such as identifying arbitrage opportunities, managing risk by hedging and portfolio management, and using financial leverage effectively, in laboratory trading environment; identify the activities that go on inside a trading room, the job descriptions and skill sets required for practitioners.	30 %	√	√	√
2.	Identify key differences between traditional finance and behavioural finance frameworks, including irrationality and limits to arbitrage, and understand key psychological biases that affect investment decision-makings; identify and apply finance theories to make informed investment decisions, such as identifying arbitrage opportunities and using financial leverage effectively, in a trading environment.	30 %	√	√	√
3.	Explain and apply technical analysis in financial markets; learn the technique of technical analysis for securities.	20 %	√	√	√

No.	CILOs [#]	Weighting* (if applicable)	Discovery-enriched curriculum related learning outcomes (please tick where appropriate)		
			A1	A2	A3
4.	Critically evaluate the effectiveness of technical analysis; design a trading system and critically evaluate its effectiveness.	10 %	√	√	√
5.	Utilise popular professional databases and electronic trading platform, to enhance financial analysis; learn to trade using Financial Trading System.	10 %	√	√	√

* If weighting is assigned to CILOs, they should add up to 100%.

100%

[#] Please specify the alignment of CILOs to the Gateway Education Programme Intended Learning outcomes (PILOs) in Section A of Annex.

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to self-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

3. Teaching and Learning Activities (TLAs)

(TLAs designed to facilitate students' achievement of the CILOs.)

TLA	Brief Description	CILO No.					Hours/week (if applicable)
		1	2	3	4	5	
Simulated trading games and after-game discussions (FTS system)	Students will apply finance theories in making informed investment decisions, and apply technical analysis in trading simulation. Students will discover for themselves effective actions, alternatives and solutions to different situations in trading simulations and apply the knowledge and skills they acquired in a traditional classroom.	√	√	√	√	√	3 weeks, 3 hours per week
In-class discussions	Students will discover technical analysis and theories of behaviour finance through case analysis and in-class discussions. An in-depth discussion will encourage students to integrate the concepts and knowledge they acquired.	√	√	√	√	√	4 weeks, 3 hours per week

TLA	Brief Description	CILO No.					Hours/week (if applicable)
		1	2	3	4	5	
Group Project and Presentation (Trading Simulation)	<p>The project is an empirical test of traditional technical trading rules of self-developed automatic trading systems. With the hypothetical 500,000 HKD, students in a group will develop a portfolio of liquid securities such as FX, stocks, stock indices, and commodities. Students are to identify trading signals and record the realistic prices to execute the trade.</p> <p>Students are required to keep a trading log for each week. They will submit an in-depth study report with an executive summary. The report should focus on selected chart patterns or technical indicators.</p> <p>The students will then give a 15-minute presentation of the report. The presentation will help students practise their presentation skills and acquire deep understanding of the trading techniques and behavioural finance.</p>	√	√	√	√	√	1 week, 3 hours
Demonstration and self practice by using professional financial databases	Professional financial databases will be used to help students understand market conventions for equity trading. Students have to understand the prevalent trading quotes; explore and interpret popular technical analysis indicators; and practice buying/selling trading tickets. This encourages students' acquisition and application of research skills, and creation of new knowledge.	√	√	√	√	√	1 week, 3 hours

4. Assessment Tasks/Activities (ATs)

(ATs are designed to assess how well the students achieve the CILOs.)

Assessment Tasks/Activities	CILO No.					Weighting*	Remarks
	1	2	3	4	5		
Continuous Assessment: 100%							
Group Project of Trading simulation	√	√	√	√	√	50%	
FTS system trading games	√	√	√	√	√	30%	
Participation and Attendance						20%	
Examination: 0% (duration: hours, if applicable)							
						100%	

* The weightings should add up to 100%.

5. Assessment Rubrics

(Grading of student achievements is based on student performance in assessment tasks/activities with the following rubrics.)

Assessment Task	Criterion	Excellent (A+, A, A-)	Good (B+, B, B-)	Fair (C+, C, C-)	Marginal (D)	Failure (F)
Group Project of Trading simulation	Effective trading strategy; Successful VBA coding; High quality report; Informative presentation	Trading strategy generates good Sharpe ratio; Efficient VBA coding; Report is accurate and informative; Very good presentation	Trading strategy generates OK Sharpe ratio; Effective VBA coding; Good Report; Good presentation	Trading strategy generates some profit; OK VBA coding; Report is OK; OK presentation	Trading strategy generates insignificant return; VBA code just work; Report is readable; OK presentation	Trading strategy losses money; VBA code doesn't work Report is painful to read; Bad presentation
FTS system trading games	Effective reaction to market information and the use of profitable trading actions	Top 10% trading profit	Top 11% to 40% trading profit	Top 41% to 70% trading profit	Top 71% to 90% trading profit	Bottom 10% trading profit
Participation and Attendance	Show up on time and be proactive in class	Show up > 90% Very active in class	Show up > 80% More active than average student	Show up > 70% Somewhat active	Show up > 70% Marginally active	Show up < 70% Not active

Part III Other Information (more details can be provided separately in the teaching plan)

1. Keyword Syllabus

Market Efficiency.
Portfolio Theory.
Valuation Models.
Derivatives.
Technical Analysis.
Behavioral Finance.

2. Reading List

2.1 Compulsory Readings

(Compulsory readings can include books, book chapters, or journal/magazine articles. There are also collections of e-books, e-journals available from the CityU Library.)

1.	Larry Harris, <u>Trading and Exchanges: Market Microstructure for Practitioners</u> , Current Edition, Oxford University Press
2.	John Teall, <u>Financial Trading and Investing</u> , Current Edition, Academic Press
3.	Kirkpatrick, Charles D., and Dahlquist, Julie. R., <u>Technical Analysis: The Complete Resource for Financial Market Technicians</u> , FT Press, Pearson.
4.	Pring, M., <u>Technical Analysis Explained</u> , McGraw Hill.
5.	Shleifer, Andrei, <u>Inefficient Markets: An Introduction to Behavioral Finance</u> , Oxford University Press.
6.	Shefrin, Hersh, <u>Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing</u> , Oxford University Press.
7.	Thaler, Richard H. (ed.), <u>Advances in Behavioral Finance</u> , Vol. II, Princeton.
8.	<u>The Reuters Financial Training Series</u> , The Reuters.
9.	Bauer Jr. R. J., and Dahlquist, J R., <u>Technical market indicators: analysis & performance</u> , John Wiley & Sons, 1999.
10.	Benninga, S., <u>Principles of Finance with Excel</u> , Oxford University Press, 2006.
11.	Bulkowski, Thomas N., <u>Encyclopedia of Chart Patterns</u> , 2nd Edition, John Wiley & Sons, 2005.
12.	Kirkpatrick, Charles D., and Dahlquist, Julie. R., <u>Technical Analysis: The complete resource for financial market technicians</u> , FT Press, Pearson, 2008.
13.	Murphy, J., <u>Technical Analysis of the Financial Markets: A comprehensive guide to trading methods and applications</u> , New York Institute of Finance, 1999.
14.	Pring, Martin J., <u>Technical Analysis Explained</u> , 4th Edition, McGraw-Hill, 2002.
15.	Park, Cheol-Ho and Irwin, Scott H., <u>The Profitability of Technical Analysis: A Review</u> , AgMAS Project Research Report, 2004.
16.	Nison. S., <u>Japanese Candlestick Charting Techniques</u> , New York Institute of Finance, 1991.
17.	James Angel, L. Harris, and C. Spatt, <u>Equity Trading in the 21st Century</u> , <u>Quarterly Journal of Finance</u>
18.	Jonathan Tse, X. Lin, and D. Vincent, <u>High Frequency Trading – The Good, The Bad, and the Regulation</u> , Credit Suisse.
19.	Jonathan Tse, X. Lin, and D. Vincent, <u>High Frequency Trading – Measurement, Detection and Response</u> , Credit Suisse.

2.2 Additional Readings

(Additional references for students to learn to expand their knowledge about the subject.)

Online Resources	
1.	Financial Trading System www.ftsweb.net
2.	Websites from the HKEx, SFC, Bloomberg, Reuters etc.
3.	http://www.investopedia.com/
4.	http://stockcharts.com/school/doku.php?id=chart_school
5.	http://thepatternsite.com/
6.	http://finance.yahoo.com/