

CAPITAL MARKETS

Bachelor in Economics BIE SEP-2024 CMK-Ec.3.M.A

Area Finance

Number of sessions: 15

Academic year: 24-25

Degree course: THIRD

Number of credits: 3.0

Semester: 1º

Category: COMPULSORY

Language: English

Professor: **ERIC CUEVAS GUERAND**

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Professor ERIC CUEVAS GUERAND

Eric Cuevas Guerand, CFA, is currently the Head of Capital Markets at Job&Talent where he oversees the equity and fixed income financing activities of the group at an international level. This include fundraising efforts for new growth capital and strategic investor relations, as well as managing the receivables securitization vehicle used to optimize the working capital position of the group.

Previously, he spent 7y+ at Morgan Stanley where he covered - in two separate periods - Spanish and Portuguese clients from the Debt Capital Markets division in London, as well as, LatAm and US Healthcare clients from the Equity Capital Markets division in NYC. Eric worked closely with corporates clients to analyse and shape their capital structure, ultimately originating and advising on debt/equity primary offerings.

Eric also enjoys the start up ecosystem and is involved in various projects both as an angel investor and as an advisor.

He holds a Bachelor in Business Administration and a Bachelor in Law, from IE University, while in addition, having spent time at Babson College (Boston) and London School of Economics and Political Science. Eric is also a CFA Charterholder.

Office Hours

Office hours will be on request. Please contact at:

Please email the professor to schedule.

SUBJECT DESCRIPTION

Global Capital Markets are a critical component of a well-functioning economy and society. We refer to them as the systems and institutions by means of which the worldwide financial sector is structured, and they are composed of many different actors ranging from regulators, investors and corporations, to brokers, wealth managers and individuals. All of their interactions allow for suppliers and for users of capital to connect, in an efficient way and through whichever financial assets best match each party's needs.

Global Capital Markets can be generally broken down by asset classes such as equities (eg. stocks, indices, mutual funds), fixed income (eg. bonds, loans), derivatives (eg. options, swaps) and foreign exchange. Another natural division is between primary markets (where new securities are first originated) and secondary markets (where existing securities can be traded).

Each of these markets has their own rules, their common practices and their differentiated industry participants, although ultimately they are tightly connected and need to coexist in symbiosis with the rest of the Global Capital Markets.

This course will aim to provide a deep understanding of the web of networks that unite the different participants and institutions of the Global Capital Markets, and explain their role and overall functioning. The course will also provide an in depth analysis of the most frequently used financial assets and trading venues across jurisdictions. We will use recent real life case studies to explore and explain the content of this course.

The course is particularly well suited for those students aiming to gain an edge and a deeper understanding of the practical aspects of Global Capital Markets. After the general introduction of each topic, emphasis will be placed on the day to day transactions that we most see in Global Capital Markets, as well as providing a practical overview of the mechanics to access said markets. For each module, part of the sessions will also explain what the work and tasks of an analyst at an investment bank may look like, via case studies.

LEARNING OBJECTIVES

The main objective of this course is to de-mistify the Global Capital Markets and explain them in plain language, with the aim of arming the student with sufficient knowledge to view and decipher the world around him/her through the lenses of finance. The student will gain a certain degree of intuition around Global Capital Markets which will allow him/her to interpret simple daily acts, such as reading the financial press, in a different and more holistic approach. In particular the objectives include:

- To identify and understand the network of institutions and players that make up the Global Capital Markets
- To understand the purpose of Global Capital Markets in the economy and its impact on society
- To analyse the benefits of a well-functioning Global Capital Markets system and the risk of its failure
- To gain knowledge of the key traded group of securities such as equity, bonds, derivatives and fixed income
- To understand how to derive the price of the above mentioned key traded securities from public sources and our own calculations
- To use recent real life case studies to become aware of the ubiquity of Global Capital Markets and its multiple uses in our life and that of corporations and investors

The course will also be focused on explaining the process of accessing the primary capital markets which often is overlooked in the general literature. The objective is for the student to be able to answer questions such as:

- What is the process to follow to take a company public via an IPO?
- How to integrate the role of Equity Research in an equity raise?
- What are the different debt structuring mechanisms? Which ones are more frequent in the market today?
- How do we go about drafting the Prospectus, Underwriting Agreement and other key documentation in a debt or equity public offering?
- Who at a company decides to hedge risk exposures? How does he/she use derivatives to mitigate those risks? Who takes the counterparty risk?

TEACHING METHODOLOGY

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the following:

Learning Activity	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	26.7 %	20.0 hours
Discussions	16.7 %	12.5 hours
Exercises in class, Asynchronous sessions, Field Work	20.0 %	15.0 hours
Group work	20.0 %	15.0 hours
Individual studying	16.7 %	12.5 hours
TOTAL	100.0 %	75.0 hours

AI POLICY

In today's world, generative artificial intelligence (GenAI) is changing how we work, study and, in general, how we get things done. However, in the context of this course, the use of GenAI is not permitted, unless it is otherwise stated by the instructor. The use of GenAI tools would jeopardize the students' ability to acquire fundamental knowledge or skills of this course.

If a student is found to have used AI-generated content for any form of assessment, it will be considered academic misconduct, and the student might fail the respective assignment or the course.

PROGRAM

SESSION 1 (LIVE IN-PERSON)

- Course and Topic Introduction
 - Personal introductions
 - Course introduction, Structure, Grading and Assignments/Case Studies

- Open discussion on first pre-assigned reading. Setting level playing field

SESSION 2 (LIVE IN-PERSON)

Module 1 – Overview of Global Capital Markets

- Definition of Global Capital Markets
 - Raison d'Être: role, benefits and drawbacks, most common uses
 - Structure of Global Capital Markets and description of different sub-markets
- Overview of Key Players in Global Capital Markets
 - Lenders, Borrowers and Intermediaries
- Primary vs. Secondary Global Capital Markets: main differences and types of transactions in each
- Regulation and Supervision of Global Capital Markets: is it needed or not, who regulates the market

SESSION 3 (ASYNCHRONOUS)

Isabella and Pradyut Case Study

SESSION 4 (LIVE IN-PERSON)

- Module 1 Group Assignment Presentation/Case Study (A)
- Module 1 Exam

SESSION 5 (LIVE IN-PERSON)

Module 2 – Equity Capital Markets

- Overview of equity securities: Common Stocks, Preferred Stocks
- Stock Indices: definition, composition, rebalancing
- The Role of Stock Exchanges: description, history, benefits and alternatives
- Market Orders: types, usage and strategies
- Primary Market for Equity Securities: process from trade idea, origination, execution and the opening trade
- Basics of Stock Valuation: DCF, Dividend Growth Model, Trading Multiples, Comparable Transactions

SESSION 6 (ASYNCHRONOUS)

Yuting Yan and Michael Case Study

SESSION 7 (LIVE IN-PERSON)

- Module 2 Group Assignment Presentation/Case Study (A)
- Module 2 Group Assignment Presentation/Case Study (B)
- Module 2 Exam

SESSION 8 (LIVE IN-PERSON)

Module 3 – Debt Capital Markets

- Overview of Debt Capital Markets
- Key Characteristics of a Bond
- Triangular Relationships in Bond: Price, Yield, Coupon
- Debt Credit Ratings: Key Agencies and Rating Ranking
- Types of Bonds: Senior Unsecured, Hybrids, Green Bonds, Covered, Convertible...
- Primary Debt Capital Markets: Particularities of bonds and main difference with equity transactions

SESSION 9 (LIVE IN-PERSON)

Maria and Elisabeth Case Study

SESSION 10 (LIVE IN-PERSON)

- Module 3 Group Assignment Presentation/Case Study (A)
- Module 3 Group Assignment Presentation/Case Study (B)
- Module 3 Exam

SESSION 11 (LIVE IN-PERSON)

An (important) Thought Around Sustainable and Green Finance

- Why do we care about it?
- When did it start? Is it here to stay?
- What are Green Bonds? Sustainability Linked Bonds?
- Do investors care? Are there specialized ESG Funds?
- Do companies with better ESG scores perform financially better?

SESSION 12 (LIVE IN-PERSON)

Module 4 – Derivatives, Commodities and Foreign Exchange

- Overview of Derivatives Markets: Options and Option Strategies
- Overview of Commodities Markets: Speculation and Hedging, the use of Future contracts
- Overview of Foreign Exchange Markets: Currency Crosses and Triangular Arbitrage

SESSION 13 (ASYNCHRONOUS)

Yurij Egorov and Suzhanna Case Study

SESSION 14 (LIVE IN-PERSON)

- Module 4 Group Assignment Presentation/Case Study (A)
- Module 4 Exam

SESSION 15 (LIVE IN-PERSON)

How to we integrate Global Capital Markets with Investment Banking

- Guest Speaker
- How do Investment Banking and Global Capital Markets Interact?
- How can Global Capital Markets make or break a merger deal?
- Early on considerations on how to finance, re-finance or hedge an investment banking corporate transaction such as an acquisition

EVALUATION CRITERIA

The objectives and skills of this course will be pursued through a combination of tutorial sessions, class presentations, debates and case study exercises. Students will be requested to prepare in advance the assigned topic presentations and to participate in formal (case studies) and/or informal discussions.

criteria	percentage	Learning Objectives	Comments
Class Participation	25 %		Will be highly valued, given online format
Group Presentation	30 %		In depth project
Intermediate Tests	40 %		4 Intermediate Test. One for each Module
Individual presentation	5 %		Overview of financial markets evolution

RE-SIT / RE-TAKE POLICY

RE-SIT / RE-TAKE POLICY

Each student has four (4) chances to pass any given course distributed over two (2) consecutive academic years. Each academic year consists of two calls: one (1) ordinary call (during the semester when the course is taking place); and one (1) extraordinary call (or "re-sit") in June/July.

Students who do not comply with the 80% attendance requirement in each subject during the semester will automatically fail both calls (ordinary and extraordinary) for that Academic Year and have to re-take the course (i.e., re-enroll) during the next Academic Year.

The Extraordinary Call Evaluation criteria will be subject to the following rules:

- Students failing the course in the ordinary call (during the semester) will have to re-sit evaluation for the course in June / July (except those students who do not comply with the attendance rule, and therefore will not have that opportunity, since they will fail both calls and must directly re-enroll in the course during the next Academic Year).
- It is not permitted to change the format nor the date of the extraordinary call exams or deadlines under any circumstance. All extraordinary call evaluation dates will be announced in advance and must be taken into consideration before planning the summer (e.g. internships, trips, holidays, etc.)
- The June/July re-sit will consist of a comprehensive evaluation of the course. Your final grade for the course will depend on the performance in this exam or evaluation only. I.e., continuous evaluation over the semester (e.g. participation, quizzes, projects and/or other grade components over the semester) will not be taken into consideration on the extraordinary call.

Students will have to achieve the minimum passing grade of 5 and the maximum grade will be capped at 8.0 (out of 10.0) – i.e., “notable” in the extraordinary call.

- Re-takers: Students who failed the subject on a previous Academic Year and are now re-enrolled as re-takers in a course will need to check the syllabus of the assigned professor, as well as contact the professor individually, regarding the specific evaluation criteria for them as re-takers in the course during that semester (ordinary call of that Academic Year). The maximum grade that may be obtained as a retaker during the ordinary call (i.e., the 3rd call) is 10.0 (out of 10.0).

After exams and other assessments are graded by the professor (on either the ordinary or extraordinary call), students will have a possibility to attend a review session (whether it be a final exam, a final project, or the final overall grade in a given course). Please be available to attend the session in order to clarify any concerns you might have regarding your grade. Your professor will inform you about the time and place of the review session.

- Students failing more than 18 ECTS credits after the June/July re-sits will be asked to leave the Program. Please, make sure to prepare yourself well for the exams in order to pass your failed subjects.
- In case you decide to skip the opportunity to re-sit for an exam or evaluation during the June/July extraordinary call, you will need to enroll in that course again for the next Academic Year as a re-taker, and pay the corresponding tuition fees. As you know, students have a total of four (4) allowed calls to pass a given subject or course, in order to remain in the program.

BIBLIOGRAPHY

Compulsory

- Stephen Valdez, Philip Molyneux. (2015). *An Introduction to Global Financial Markets*. 8th edition. Red Globe Press. ISBN 9781137497550 (Printed)

The course will follow the theory described in: *An Introduction to Global Financial Markets* by Stephen Valdez and Philip Molyneux. Student should also refer to the class notes as well as a variety of articles from academic journals and newspapers that the professor will select for each session. PDF is available online.

BEHAVIOR RULES

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

ATTENDANCE POLICY

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

ETHICAL POLICY

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.