UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

SYLLABUS DEL CORSO

Economics of Financial Markets

2627-3-E1803M120

Learning objectives

This course examines the functioning of modern financial markets with a strong emphasis on policy, and the macro?financial environment. Using Mishkin's The Economics of Money, Banking and Financial Markets as the primary reference, students explore how financial markets facilitate economic activity, why they sometimes fail, and how central banks and regulators intervene to promote stability and efficiency.
The course integrates theory with real?world policy debates, including monetary policy transmission, financial regulation (micro? and macro?prudential), bank supervision, systemic risk, and the design of crisis?management frameworks.

By the end of the course, students will be able to:

Describe the structure and functions of financial markets and institutions within a modern monetary economy.
Analyze how monetary policy affects interest rates, asset prices, and economic activity.
Understand the fundamental sources of financial instability and the rationale for prudential regulation.
Assess the role of financial intermediaries, especially banks, in money creation and credit allocation.
Critically evaluate past financial crises through the lens of policy responses and regulatory reforms.
Apply Mishkin's analytical frameworks to real?world policy questions in financial stability and market regulation.

Contents

Macroeconomic theory of financial markets.

Detailed program

Week 1 – Introduction: Why Financial Markets Matter for Policy

Financial structure and economic performance
Overview of markets, institutions, and regulatory actors
Mishkin: Ch. 1–2

Week 2 – Interest Rates, Bond Markets, and Monetary Policy Transmission

Measuring interest rates
Risk & term structure
Relevance for central bank policy decisions
Mishkin: Ch. 4–5

Week 3 – Stock Markets and Their Macroeconomic Importance

Stock valuation and expectations
Asset price volatility and policy spillovers
Mishkin: Ch. 6

Week 4 – Market Efficiency, Behavioral Finance, and Policy Implications

Efficient Markets Hypothesis
Behavioral deviations and asset price anomalies
Implications for regulation and monetary policy
Mishkin: Ch. 7

Week – Financial Crises in Advanced Economies

Analisys of financial crises
Tools of central banks
Liquidity regulation and monetary control
Mishkin: Ch. 12

Week 7 – Financial crises in Emerging Markets

Boom and bust
Currency Crises
Instruments to prevent financial crises
Mishkin: Ch. 13–16

Week 8 – The role of Cental Banks: Monetary Policy Strategy and Communication

Rules vs discretion
Forward guidance
Unconventional monetary policies (QE, credit easing)
Mishkin: Ch. 17

Week 9 –The Foreign Exchange Market

Purchasing Power Parity
Equilibrium Foriegn Exchange
Mishkin: Ch. 18

Week 10 – The International Financial System

Interventions in the Foreign Exchange Market
The Policy Trilemma
Mishkin: Ch. 19

Week 11 – Contemporary Policy Challenges

Low interest rate environment
Climate?related financial risks
Sovereign?bank “doom loops”
Geopolitical risks and global financial fragmentation
Readings from recent policy reports (ECB, BIS, IMF)

Prerequisites

Basic courses of Micro and Macroeconomics. A reasonable knowledge of the English language

Teaching methods

Lectures and classes

Assessment methods

Written exam with tipically 3 open questions, with use of equations, charts and tables. No oral integration. A mock exam will be solved in class by the teacher.

Textbooks and Reading Materials

F. Mishkin The Economics of money, bankinmg and financial markets, 13th edition, Pearson.

Semester

Second semester

Teaching language

English

Sustainable Development Goals

QUALITY EDUCATION