Instructor:

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Office Hours:

Tuesdays and Wednesdays from 2:00 to 4:00 p.m.  
Thursdays from 6:00 to 7:00 p.m.  
Whenever you can catch me in my office.  
Any other time by appointment.

Course Objective:

Finance 640 is a course about trading financial assets. The course is intended for MBA students that expect to take trading jobs, but it is also relevant for all students that expect to trade securities. The course uses a combination of lectures and trading simulations/games conducted on the UMBS trading floor to make students comfortable with ideas like order type, bid-ask spread, information, and liquidity. The class will also take an optional and unofficial field trip to Chicago to visit a number of relevant sites. Students that have taken the core should be prepared for this course.

Course Materials:

The required textbook for the course is:


Beside the textbook, a number of course readings and some course notes will be posted to my website and distributed in class. My website is at www.umich.edu/~shumway, and the username that you can use to access restricted materials is f640stud, while the corresponding password is trader9.

Required readings should be read in advance of the class for which they are assigned. Additional background readings and recommended readings are listed on my website and will be made available during the semester. Copies of these readings will be available for
Grading:

Course grades will be determined both by a final exam and homework assignments and by performance in trading simulations. There will be a written final exam that will account for 40% of the final grades. Weekly homework assignments will account for 30% of the final grades, and performance in trading simulations will account for the remaining 30% of the final grades. Making student grades depend on trading performance gives students incentives to practice trading outside of class, and makes the simulations more realistic exercises.

Field Trip

On Friday, January 30th, we will conduct an unofficial field trip to Chicago. The field trip is not a required activity, so participation will not affect grades and participants will be responsible for their own travel arrangements. We will schedule as many tours of relevant financial sites as possible. More details about the field trip will be forthcoming.

Outline:

This course calendar listed below is tentative. The list of topics may change as the course develops.

1. Jan 6-8  Introduction – FTS case B01 (trading game)
   Trading Stories & the Trading Industry
2. Jan 13-15  Order Types
   FTS case RE1
   Nasdaq – Head Trader Game
4. Jan 27-29  Brokers, Informed Traders and Market Efficiency
   FTS cases RE2, RE5
5. Feb 3-5  Order Anticipators & Bluffing and Price Manipulation
   UpTick case – Market Efficiency
6. Feb 10-12  Dealers & Spreads & Arbitrage
   UpTick case – Price Formation
7. Feb 17  Current events (section 1 only)
8. Feb 19  Final Exam in Class