

A. ASSIGNMENT RECAP

- Write a 2500-word report including a **2000-word research** paper to identify and examine an **important issue in bond, equity, or derivatives markets**.
- And a **500-word reflection** on Industry talk.

Tips to choose topics for Part A

- Pick a contemporary issue that interests you and that you want to learn more about. This will make the research process more engaging.
- Scan financial news sites to find emerging topics, debates, or recent events that could lead to good research questions.
- Look for issues where experts disagree or there are multiple perspectives. This creates opportunities for analysis.
- Select a focused, specific issue versus something overly broad. This will allow for deeper investigation.
- Browse academic journals in finance for inspiration from the latest scholarly research on these markets.
- Pick a topic that has sufficient existing research and literature available to review.
- Consider issues with real-world relevance and impact beyond just academics.

Suggestion to choose topics for Part A

a/ Bond Market Topics:

- The impact of rising interest rates on fixed-income securities
- Increased bond market volatility and risk management strategies

- The growth of green bonds and social impact investing
- Changes and risks in corporate bond covenants
- Technology innovation in bond trading platforms

b/ Equity Market Topics:

- Strategies to mitigate risk in algorithmic or high-frequency trading
- Growth prospects and risks of passive index investing
- Trends in global exchange-traded funds (ETFs)
- Blockchain applications in equity clearing and settlement
- Environmental, social, and governance (ESG) investing in equities

c/ Derivatives Market Topics:

- Regulatory responses to growth in complex derivatives
- Counterparty risk concerns in over-the-counter derivatives
- Operational risks of derivatives clearinghouses
- Increased retail investor activity in derivatives markets
- Financial engineering and derivative securities innovation

Structure:

I. PART A: Research paper (2000 words)

A. Title (Less than 15 words)

B. Abstract (less than 150 words)

C. Introductory: (Suggested 450 words)

- Provide the background relating to the research question, which explains/justifies your choice of the research question;

- Briefly state your research question;
- Identify the key issues relating to your research question;
- Briefly summarize your findings on the research question

Your introduction should be approximately half a page in length

D. Literature review (Suggested 550 words)

- Research and provide different perspectives from academic reports to comprehensively review the t

E. Main Body. (Suggested 650 words)

- Use subheadings, to divide your research paper into areas that examine different aspects of your research question, to provide a logical structure for your research paper, and which show the logical development of your ideas.
- It should also include the application of financial theories to examine your research question systematically and logically.

F. Conclusion (Suggested 100 words)

Should state your findings relating to your research question and the possible impact of your findings on global financial markets.

G. Limitations of the research paper (Suggested 100 words)

Limitations are influences that the researcher cannot control. They are the shortcomings, conditions, or influences that cannot be controlled by the researcher that place restrictions on your conclusions.

H. Appendices

I. Reference List

II. PART B: Reflection on the Industry Talk (maximum 500 words)

You are required to write a reflection on the industry talk. Your reflection should address the following questions:

- What was the discussion in the talk?
- How can you relate the talk to the Financial market course?
- What can you add to the discussion?

B. KEYWORD EXPLANATIONS

- 1. Bond market** - The marketplace where debt securities called bonds are issued and traded.
- 2. Equity market** - The market where shares of stock in publicly held companies are issued and traded.
- 3. Derivatives market** - The financial market for instruments like futures, options, and swaps derived from and dependent on underlying assets.
- 4. Financial markets** - Markets that allow buyers and sellers to trade financial securities like bonds, stocks, and currencies.
- 5. Securities** - Financial instruments that hold some type of monetary value. Bonds, equities, and options are all types of securities.
- 6. Volatility** - The degree of variation in the price of a security over time. High volatility means large price swings.
- 7. Liquidity** - The degree to which an asset can be quickly bought or sold on a market without impacting its price.
- 8. Market risk** - The possibility of an investor experiencing losses due to factors affecting the overall performance of financial markets.
- 9. Counterparty risk** - The risk that the other party in a financial contract will default on obligations.

10. Financial regulation - Rules and laws governing financial markets and institutions to protect investors and promote stability.

11. Financial innovation - The creation and popularization of new financial instruments, technologies, or processes.

C. FOOD FOR HUNGRY THOUGHTS

TOPIC:

1. "High-frequency trading: Reaching the limits" (Journal of Trading) - <https://www.ijournals.com/doi/abs/10.3905/jot.2018.11.1.048>
2. "Credit default swaps and the credit crisis" (Journal of Economic Perspectives) - <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.24.1.73>
3. "The growth of the shadow banking system" (Journal of Financial Perspectives) - https://www.ey.com/en_gl/financial-services/how-the-shadow-banking-system-works
4. "Carbon emissions and financial risk" (Annual Review of Environment and Resources) - <https://www.annualreviews.org/doi/full/10.1146/annurev-environ-012320-084719>
5. "How High-Frequency Trading Hits Main Street" (Wall Street Journal) - <https://www.wsj.com/articles/how-high-speed-trading-hits-main-street-11582076000>
6. "How swaps can bring down companies" (BBC) - <https://www.bbc.com/news/business-54322579>
7. "Why Derivatives May Be the Biggest Risk for the Global Economy" (New York Times) -

[https://www.nytimes.com/2019/05/31/business/big-banks-derivatives.htm](https://www.nytimes.com/2019/05/31/business/big-banks-derivatives.html)

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8. "ESG Investment Risks" (Bloomberg) -

<https://www.bloomberg.com/news/articles/2022-06-13/esg-investing-risks-include-social-washing-greenwashing-mifid-regulati>

D. DETAILED OUTLINE

I. Part A: Research Paper

As you have to come up with the topic on your own, the structure of the research paper will vary depending on the topic you choose. Each topic has its characteristics and facets to discuss. Therefore, you should craft the structure based on your topics as soon as possible and ask your lecturer to review it. Further tips will be provided in Part D. This part will provide you with an example for **the Topic: Impact of Russia - Ukraine war on the global stock market**

1. Title (no more than 15 words)

Example: Impact of Russia - Ukraine war on the global stock market, especially Asia, EU and US"

Tips:

- Keep it concise and descriptive
- Encapsulate the main topic and issues examined

2. Abstract (less than 150 words)

Example:

This research investigates the consequences of the Russia-Ukraine conflict on the worldwide stock market by analyzing various research papers and journal articles. Although geopolitical conflicts are not unprecedented, the onset of the Russia-Ukraine war has introduced considerable volatility and substantial stock returns, particularly affecting the global stock market. The study emphasizes the broad spectrum of sectors and industries impacted by the Russo-Ukraine conflict in the stock market, with a specific focus on Asia, US, Eu, and the energy industry. Findings from this research indicate that the invasion of Ukraine has indeed left its mark on the equity market within 3 continents above, leading to notable and atypical stock returns.

Tips:

- Briefly summarize the key points only
- Cover purpose, methods, findings, and implications
- Use clear, direct language

3. Introduction (Suggested 450 words)

- Background: The origin of a conflict between Russia and Ukraine.

Example:

- + Some Western analysts see Russia's 2022 invasion as the culmination of the Kremlin's growing resentment toward NATO's post-Cold War expansion into the former Soviet sphere of influence. Russian leaders, including Putin, have alleged that the United States and NATO repeatedly violated pledges they made in the early 1990s to not expand the alliance into the former Soviet bloc.
- + In the weeks leading up to NATO's 2008 summit, President Vladimir Putin warned U.S. diplomats that steps to bring Ukraine into the alliance

“would be a hostile act toward Russia.” Despite remaining a nonmember, Ukraine grew its ties with NATO in the years leading up to the 2022 invasion.

+ Western powers and their partners have taken many steps to increase aid to Ukraine and punish Russia for its 2022 offensive:

- In response, the United States retaliated by imposing sanctions targeting both the region and the Nord Stream gas project. (Li et al. 2022)
- In reaction to Russia's aggressive actions towards Ukraine, the European Union (EU) has taken six sets of sanctions, including one that entails a partial embargo on oil supplies to the country. (Bergeijk 2022)
- Meanwhile, the international sanctions on Russia have vastly expanded, covering much of its financial, energy, defense, and tech sectors and targeting the assets of wealthy oligarchs and other individuals. The U.S. and some European governments also banned some Russian banks from the Society for Worldwide Interbank Financial Telecommunication, a financial messaging system known as SWIFT; placed restrictions on Russia's ability to access its vast foreign reserves; and blacklisted Russia's central bank.

→ Sanctions have led to a decrease in Russian export volumes, and the conflict in Ukraine has resulted in the closure of ports.(Mbah and Wasum 2022)

The political and economic instability resulting from the conflict between Russia and Ukraine had notable effects on European stock markets. These financial markets encountered the ripple effects of the repercussions, as highlighted by Khudaykulova et al. in 2022. [Boungou and Yatié \(2022\)](#) reveal that the Russia–Ukraine crisis has had a significant adverse effect on the

performance of global stock market indices. [Boubaker et al. \(2022\)](#) show that stock market indices of developed markets have been more heavily and adversely affected than emerging market indices. [Ahmed et al. \(2022\)](#) also find that Russia's recognition of the two Ukrainian states as autonomous regions has had a significant negative impact on the European stock markets. [Fang and Shao \(2022\)](#) show that the Russia–Ukraine conflict has affected commodity markets through both economic and financial channels. [The impact of the Russia-Ukraine crisis on the stock market: Evidence from Australia - ScienceDirect](#)