

FIN579

Asian Capital Markets

Winter Quarter 2022

Monday 6:00 – 9:30 pm, Zoom and Paccar Hall 290

Yang Song

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Goals

This 2-credit course is a survey of the capital markets and financial systems in Asia, with a particular focus on China, the fastest-growing economy over the past several decades. To focus ideas, we will typically approach topics from the perspective of a U.S investor. Topics include the financial markets (equities, bonds, foreign exchange, alternative asset management, fintech, and related markets), the banking industry, monetary policy structure, and the real estate market. The goal is an integrated view of how capital, risk, and liquidity are intermediated within China and cross-border. Coverage will be through lectures as well as a wide range of subject-matter-expert speakers. Some speakers will speak to us through Zoom due to travel constraints.

Learning and Grading

The course will combine lectures and guest speakers. Lectures will provide an overview of the capital markets in China. Guest speakers will give us up-to-date insights into conditions and developments. Your grade in this course will be based on the following:

- Class participation 35%
- A course-related no more than 10-page paper (group) 65%

Each study group, consisting of up to three students, will prepare a write-up on a topic related to Asian capital markets. I will provide several topic ideas at the beginning of the quarter, some of which will be provided by our guest speakers. While a topic write-up should provide an overview over a given subject, it must go beyond a summary of facts and include an (*economic*) *argument* why or how something of relevance to investors has happened, is happening or will happen. All topic-write ups are due by midnight of Friday, March 13. The grade will depend on the *quality* of the analysis and the *effectiveness* with which you present your argument. Participation in class is important in this class. You should try to participate in each session.

Accommodations

I and the University of Washington are committed to ensuring that students with a documented disability have equal opportunity to participate in the educational opportunities of this class. To request academic accommodations due to disability, please contact the Disability Resources for Students Office (DRS), 448 Schmitz, 206-543-8924. If you have a letter from DRS please present the letter to me so that we can discuss the accommodations that you would need help you get the most from this class.

It is the policy of the University of Washington to reasonably accommodate students' religious observances in accordance with RCW 28B.10.039 regarding religious accommodation for higher education students as amended by SB 5166, effective July 28, 2019. Any student seeking reasonable accommodations must provide written notice to the Office of the University Registrar of the specific dates of absence due to religious accommodation, within the first two weeks of the beginning of the course. Students who have requested and been denied a religious accommodation and wish to file a complaint should contact the University Complaint Investigation and Resolution Office (UCIRO). UCIRO is responsible for investigating complaints that a University employee has violated the University's nondiscrimination and/or non-retaliation policies, including a failure to accommodate a student under this policy.

COVID-19 Mask Policy

Please remember that the current Washington State indoor mask mandate, which took effect Aug. 23, requires everyone to wear a mask indoors. The University of Washington requires students and UW personnel to attest to their vaccination status. The University also has COVID-testing requirements for students who receive an exemption from the UW's vaccination mandate. Please note that these standards are continually evolving and subject to change.

Course Schedule

The class will meet on five Monday evenings between 6 and approximately 9:30 pm.

Class 1 – Jan. 3, 2022

- Topic: **An Overview of China's Financial System: Special Features and Challenges.**

- Topic: **Capital Markets with Chinese Characteristics**, by Prof. Johannes Petry, University of Warwick and Goethe University Frankfurt

Reading: Petry, J. (2021), "U.S. Investment in China's Capital Markets and Military-Industrial Complex." Expert Testimony before the U.S.-China Economic and Security Review Commission.

Petry, J. (2020) 'Financialization with Chinese characteristics? Exchanges, control and capital markets in authoritarian capitalism', Economy & Society, 49(2): 213-238

Petry, J. (2021) 'Same same, but different: Varieties of capital markets, Chinese state capitalism and the global financial order', Competition & Change, 25 (5): 605-630

Class 2 – Jan. 10, 2022

- Topic: **China's Growth: How Far, How Fast, and How Much Longer?** by Prof. Lizhi Liu, Georgetown University

- Topic: **An Overview of China's Financial Markets: Monetary Policy and Foreign Exchange Policy**

Reading: *“Five consumer trends shaping the next decade of growth in China,” McKinsey, November 2021*

Cooper (2018), *“Can China’s High Growth Continue?”*, *In the China Questions: Critical Insights into a Rising Power*, pp.119-125.

“China’s trilemma --- and a possible solution,” Ben S. Bernanke, Brookings Institution, March 2016.

“China’s Financial Opening Accelerates,” Nicholas R. Lardy and Tianlei Huang, December 2020.

Optional Video: *Explaining the Regulatory Storm of Summer 2021 (from 10:00 to 48:00)*

Jan. 17, 2022 No Class (MLK Day)

Class 3 – Jan. 24, 2022

- Topic: **An Overview of China’s Financial Markets: Capital Market.**

- Topic: **Investing in China: Risks and Opportunities**, by Prof. Charles M.C. Lee, Stanford University Graduate School of Business.

- Topic: **Quantitative Investments in China**, by Dr. Rosalin Ruojun Wu, Managing Director and Co-Founder, 9M Technologies.

Reading: *China’s Stock Markets – An Introductory Guide for Foreign Investors*, *China Briefing*, September 2021, *“Overview of Mainland China’s stock markets,” [only this section]*.

Chinese Capital Market: An Empirical Overview, Grace Xing Hu (University of Hong Kong), Jun Pan (MIT, NBER, and CAFR), Jiang Wang (MIT, NBER, and CAFR), 2020.

Jan. 31, 2022 No Class (Lunar New Year Eve)

Class 4 – Feb. 7, 2022

- Topic: **Equity Investing in China**, by Dr. Jeff Shen, Managing Director, Co-CIO of Active Equity and Co-Head of Systematic Active Equity, Blackrock.

- Topic: **Real Estate Investing in Hong Kong and Mainland China**, Peter Churchouse, Chairman, Churchhouse Property Partners.

Reading: *“Is China Investible,” Goldman Sachs, September, 2021.*

“Dissecting the Long-term Performance of the Chinese Stock Market,” Franklin Allen, Jun “QJ” Qian, Chenyu Shan, and Julie Lei Zhu, Working Paper, October 2019.

“Peak China Housing,” Kenneth S. Rogoff, Yuanchen Yang, August 2020.

Class 5 – Feb. 14, 2022

- Topic: **A tour d’horizon of Chinese FinTech**, by Prof. Yi Huang, Center for Economic and Policy Research, Asian Bureau of Finance and Economic Research, Luohan Academy, and Fudan University.

- Topic: **Investing in Japan**, by Brian Heywood, Managing Partner and CEO, Taiyo Pacific Partners.

*Reading: “Money, technology and banking: what lessons can China teach the rest of the world?”
Michael Chui, BIS Working paper 107, Bank for International Settlements, June 2021, pages 1-16.*

Friday, March 13: Topic write-up is due.