

Macroeconomic Research and the Financial Industry (ECON 6110W, Summer 2024)**Department of Economics, HKUST****Instructor:** Dr. LIAO, Wei Carol Email: liaowei@ust.hkOffice Hours: by appointment.**TA:** Ms. Teresa Lau Email: ectylau@ust.hk**Lecture schedule and location:** June 18 – July 11, Tuesday & Thursday 2:00 pm - 5:20 pm. (LSK Rm 1014)**Course Description:**

The course aims to prepare students as economists or macro strategists in the financial industry. We will introduce how to conduct macroeconomic research in the financial industry. The course will cover both analysis on cyclical economic fluctuations and secular trends due to structural change, with a focus on the China economy. We will discuss how the macro data and trends will impact financial markets and asset prices. By the end of the course, students will learn how to build a holistic framework and use it to make predictions and conduct counterfactual scenario analysis.

Prerequisites:

Intermediate Macroeconomics, Introductory econometrics, Time series econometrics, or consent of instructor.

Course Web Site: <http://canvas.ust.hk>

The course content is based on my lectures. All teaching materials will be posted on Canvas. You should check the course website at least **twice a week** for important announcements such as the information about group projects.

Computer Software

This course requires computer-based calculation. Students are required to conduct statistical analysis using real data. The teaching will be based on Stata/EViews/Excel.

Study Groups

Students will be assigned to small groups. Each group will have around 4 people. The group assignment will be fixed during the term. Students in each group will rotate as the group leader. The group leader is responsible for allocating tasks among group members, monitoring the progress of ongoing work, and submitting the group term projects on Canvas before the due date.

Course Requirements:

Group term project and case presentation (40%): Small projects will be assigned during the term. The group leader must submit the group's project through Canvas before the due date. The due date will be specified in each assignment. The submission must include the name of the group leader and other members. Do not copy other group's work or copy from existing research of others. **Email or mail submissions will not be accepted.** Late submission including uploading failure will not be accepted without justification. Each group will present their work in class.

Final exam (40%): close-book exam on July 11th (in-class).

Class Attendance (20%):

We will not take record of attendance but you are strongly encouraged to attend every lecture. If a group member misses his/her presentation day, the member's attendance score will be negatively affected.

Academic Integrity and Honesty:

Students are required to comply with the university policy on academic integrity as detailed at <https://registry.hkust.edu.hk/resource-library/academic-integrity>

The case of **plagiarism** and **copying** will be reported to the school.

Course Intended Learning Outcomes: Upon completion of the course, you will be able to:

1. Understand key concepts in macroeconomics and acquire basic analytical skills in empirical macroeconomic analysis.
2. Identify key economic variables and build a framework for country analysis.
3. Collect data set to conduct empirical analysis, and provide answers to economic questions.
4. Present your understanding of certain economic problems verbally and in writing, and use empirical results to justify your explanation.

Reference Textbooks:

Blanchard, Olivier (2017): "Macroeconomics." Pearson. (Other editions also work)

Tao, Wang (2023): "Making sense of China's Economy." Routledge.

Stock, James and Mark Watson (2019) "Introduction to Econometrics." 4th Edition, Pearson. You may also use other editions of the same title.

Course Outline:

- Macroeconomic research in the financial industry: an introduction
 - What does an economist/macro analyst do in the financial industry?
 - How does an economist work with the other functional departments of companies?
 - What training does it require to be an financial market economist/macro analyst?
 - Buy side vs sell side
 - Build your toolbox to track key economic data
 - A holistic framework in macro analysis: connecting different economic sectors and policies.
 - Analysis of cyclical economic fluctuations
 - Analysis of secular trends
- Macroeconomic data
 - CEIC
 - FRED
- Economic reports
 - Forecast the future: data tracking and projections.
 - Role of government policy: fiscal policy, monetary policy, foreign policy
 - Evaluate the impact of events, including a policy announcement, geopolitical developments, and market events.
 - Medium term research: focus more on the longer horizon.
- Consensus vs judgement
 - Fact, market consensus, data-driven research
- Case study
 - IMF World Economic Outlook
 - IMF Article IV consultation
 - House reports from leading financial firms