

HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY



Department of Economics

ECON 5344

MACRO INVESTMENT STRATEGY (Fall II, 2025-26)

INSTRUCTOR

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CLASS SCHEDULE

Lecture time is Wednesday evenings 6:30-10pm, unless stated otherwise at HKUST Clearwater Bay campus. Venue is TBD. Teaching mode is “face to face”.

COURSE DESCRIPTION

This course has dual purposes, mixing theory and practice. The primary purpose of this course is to explain the crucial role that macroeconomics plays in the behaviour of global asset markets. The secondary purpose is to provide a deeper understanding of international finance and open economy macroeconomic theory to provide a richer framework of understanding the links between macro and global markets. Here we deepen understanding of simple but practical reduced form models to micro-founded macro and international finance models with greater sophistication. After an introduction to asset valuation (bonds and equities), we apply a multi-asset approach to global markets, with a particular focus on Asia-Pacific equity markets. The use of data, via such as factor analysis and the interpretation of economic and market related indicators, is presented. Real world examples, together with finance industry samples of macro investment strategy research, taken from your instructor’s investment banking and asset management experience, are utilized in this course.

COURSE INTENDED LEARNING OUTCOMES (CLIO's)

After completing this course, students should be able to understand, explain and identify:

- (1) The relationships between asset classes such as bonds, equity, and currency markets with key macro variables and the crucial role of economic policy, particularly monetary policy. **(PILO 5, 11)**
- (2) Solving open economy macro and international finance models such as the TNT model and Balassa-Samuelson model for understanding exchange rate determination. **(PILO 1, 2)**
- (3) Applying valuation methods in bond, equity and currency markets and applying it to realistic real Worlds scenarios. **(PILO 10, 11)**
- (4) The analysis involved in a macro-focused Asian equity investment process. **(PILO 10,12, 13)**
- (5) The use of data in an investment process such as: factor analysis, valuation analysis, and the interpretation of key macro-financial indicators. **(PILO 8)**

PREREQUISITES AND ASSUMED KNOWLEDGE

There are no official pre-requisites for this course. Students should have at least intermediate undergraduate knowledge of microeconomics and macroeconomics. Knowledge of multivariable calculus is assumed.

RECOMMENDED LEARNING RESOURCES

There is no required textbook. A useful reference book on open economy macro is: Schmitt Grohe, S., Uribe, M. and Woodford, M. (2022), International Macroeconomics: A Modern Approach. Princeton University Press. For a revision of undergraduate macroeconomics and an introduction to finance concepts, I recommend Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, 12th edition, Global edition, 2019 or other recent editions. Additional references will be provided during the course. Additional resources including industry macro and investment strategy reports will be used in class, along with appropriate journal articles.

PROBLEM SETS AND GROUP PROJECT

There are no assessable individual assignments in this course. However, there are problem sets to help digest lecture content and to help prepare for the exams as “practice questions”. Solutions will be provided. There is a group project where students will choose an economy and be asked to analyze the macro environment and make a prediction about the performance of equity, bond and foreign exchange markets. The project will be worth 20% of final grade plus a 5% peer evaluation score to encourage full participation. There will be a presentation component of this project which will be done privately between each given group and your instructor via Zoom.

FINAL EXAMINATION & CLASS QUIZ

A class quiz covering Lectures 1-3 will be held in class on November 19 during the first hour and will account for 20% of your final grade in this course. The final exam (closed book) will be held during class on December 17, starting around 9:00am. It will be for 2.5 hours duration. Only serious medical or personal emergencies may be accepted as legitimate excuses for a missed exam or quiz. If you fail to attend an exam or quiz for medical reasons, you must present a doctor's note. If you miss an exam or quiz without a valid reason, then you will receive a zero. The final is worth 50% of the final grade.

CLASS PARTICIPATION

Class participation is worth 5% of your total grade. Class participation is NOT a 1-1 mapping with attendance. While attendance may be a contributing factor, the constructive contribution to class discussion will be very influential in your class participation grade.

ASSESSMENT SCHEME

Task Nature	Description	Weight
Final Exam	Examines all topics covered in the course	50%
Midterm Quiz	Quiz on Lectures 1-3	20%
Group Project	Group Presentation (PowerPoint) on applied macro and investment strategy on a chosen economy and asset market, and an investment banking-style brief report	20%
Peer Evaluation	Individual contribution to Group Work	5%
Class Participation	Constructive Participation in Class	5%

CHAT GPT POLICY

Restricted use of ChatGPT is permitted. It is NOT permitted in exams or quizzes, which are closed book. In projects, students must reference the use and state clearly how they have used (prompts) ChatGPT in a statement in their written work, clearly stating which app they have used. Simply copy and pasting a ChatGpt result will be considered plagiarism, which is not permitted, but thoughtfully using ChatGpt content, appropriately referenced, is permitted.

RUBRICS FOR FINAL GRADE

- **Excellent Performance (A range):** Demonstrates a deep understanding of the economic and finance tools covered in the course. Exhibits exceptional skills in utilizing the taught techniques to formulate macro views and to understand and project financial market implications based on such economic trends. Contributes well in the group project with excellent verbal and written presentation and performs very well in class participation, the class quiz and the final exam.
- **Good Performance (B range):** Shows a solid grasp of economic and finance tools covered in the course. Shows good skills in formulating macro projections and links these well to the likely direction of asset markets. Performs well in the final exam and class quiz, and contributes well in group work and presentations.
- **Marginal Performance (B-, C+, C):** Has basic knowledge of the macro-finance skills in the course, together with practical application. Shows limited skills in utilizing them. Acceptable performance in class quiz with limited class participation and has a solid performance in the exam.
- **Fail:** Demonstrates insufficient understanding of the macro-finance techniques covered in the course. Lacks skills in utilizing them in real world examples. Unsuccessful in the assignments and/or group work/final exam/class quiz with little or no class participation.

COURSE SYLLABUS

Please note this is a tentative schedule and may be modified during the semester.

Classes will be held Wednesdays 6:30pm – 10pm unless stated otherwise.

Week	Date	Topics ¹	Reference ²
1	Oct 29	Introduction & Market Analysis 1 – Foreign Exchange Markets - Introduction to macro investing (motivation, methodology, and outline of the course). Formal treatment of real exchange rates and purchasing power parity (PPP) – understanding the role of non-tradable goods and trade barriers. We study exchange rate determination under fixed and flexible exchange rates using PPP and the Quantity Theory.	Ch. 9, 15, Course Notes.
2	Nov 5	Market Analysis 1 – Foreign Exchange Markets (Continued) TNT (Tradable-Non Tradable) Model of exchange rate determination in a small open economy endowment economy. This is a short-run model to analyse terms of trade shocks and a type of macro crisis, “Sudden Stops”, when foreign creditors abruptly stop extending credit to a country. Then we study the Balassa-Samuelson Model, a long-run model, showing the role of productivity differentials in real FX rates.	Ch. 10, Course Notes
3	Nov 12	Market Analysis 1 – Foreign Exchange Markets (Continued) and international capital market integration. We study a very practical reduced form model of a small open economy (Mundell Fleming) to analyse the impact of trade, monetary and fiscal policy on the trade balance, the nominal exchange rate and real GDP under fixed and floating exchange rate regimes. Then we review a simple but practical short-run demand/supply model of FX and understand the linkages across countries between capital markets and interest rates via covered and uncovered interest rate parity.	Ch. 18-19*, Ch. 11, Course Notes
4	Nov 19	Market Analysis II – Bond Markets, and Class Quiz After addressing bond valuation we study the macro factors that shift bond demand & supply curves – sovereign and credit markets (investment grade and high yield). We study yield curves, the Fisher Effect, among other topics. We understand the role of credit spreads and apply to issues like the Chinese property sector (e.g. Country Garden). We examine the role of duration in macro investing and relate it to contemporary issues on bond investing (e.g. Silicon Valley Bank).	Ch. 4-6*
5	Nov 26	Market Analysis III – Equity Markets We examine the factors that impact equity demand and supply. We introduce some equity valuation theory such as the dividend discount model and the Gordon Growth model and explain the role that economic policy (monetary and fiscal) has on equity prices, using this methodology. We then provide a recipe for a global top down macro strategy and methodology. Macro inputs are taken alongside financial metrics such as valuation and earnings in a macro-focused investment process.	Ch. 7*, Course Notes, Industry Reports

¹ Additional references may be provided for certain topics on Canvas or in class

² Chapter references are to Mishkin, “*The Economics of Money, Banking, and Financial Markets*” (12th Edition), 2019, unless with asterisk* for Mankiw, N.G., *Macroeconomics*, 10th Edition, 2019 or earlier editions.

6	Dec 3	Market Analysis III – Equity Markets (Continued) – Use of data in an Asian Investment Strategy. Factor Analysis and Stock picking. How does equity investment style vary in the business cycle? Key indicators and the investment/risk management process – Economic Policy Uncertainty Index (Big Data Study), VIX, credit stress indicators. Macro-Finance data analysis. “Equity Income” Investment Decisions with Macro Examples from Asia-Pacific industry investment banking research by your instructor.	Course Notes, Industry Reports
7	Dec 10	Guest Speaker (Role of ETF’s in a Macro Investment Strategy) - Mr Aleksey Mironenko (Leo Wealth and Former Blackrock iShares) and Market Analysis III – Equity Markets (Continued) - Use of Thematics in an Asian Investment Process. The role of themes in a stock selection process and the broader use of themes in macro strategies. Examples from Asia-Pacific industry research by your instructor.	Speaker Notes, Group Presentation Slides
8	Dec 17	Final Exam	

ASSESSMENT TIMETABLE

This is a tentative timetable subject to adjustment based on class progress

Date	Topics
Nov 5	After Add-Drop Form Groups and Choose Economies
Nov 19	Midterm Quiz
Dec 5	Submit Class Presentation
Dec 6-7	Group Presentations (in group Zoom meeting with Professor)
Dec 10	Macro Investment Report Due
Dec 17	Final Exam

ACADEMIC INTEGRITY POLICY

Honesty and Integrity is central value in HKUST. Please be aware of the importance to maintain a high standard of honesty in assignments, group projects and examinations in this course. Please familiarize yourself to the university rules and the HKUST academic honor code by visiting following website: <http://www.ust.hk/vpao/integrity/>