

# HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY



## Department of Economics ECON 6101F

### MACRO INVESTMENT STRATEGY IN PRACTICE (Fall II, 2025-26)

#### INSTRUCTOR

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#### CLASS SCHEDULE

Lecture time is Monday 7:00 pm – 10:20 pm, unless stated otherwise. Central Campus, Hong Kong Club Building. Teaching mode is “face to face”.

#### COURSE DESCRIPTION

This course deals with the relationship between macroeconomic variables and asset markets, emphasizing investment implications. Building on ECON 5200, this course develops a macroeconomic framework for analysing the impact of policy decisions and economic shocks on major asset classes - equity, fixed income, and foreign exchange, among others. While the framework is global and multi-asset, the focus is on Asia-Pacific equity markets. The use of data and interpretation of economic and market related indicators, is emphasized throughout. The important role of central banks and monetary policy in the relationship between policy and asset prices is a common theme. Real world examples including commercial research examples from your instructor's career in finance are emphasized. Assumed knowledge is ECON 5200.

#### LEARNING OUTCOMES

- After completing this course, students should be able to understand, explain and identify:
- (1) The basic relationships between asset classes such as bonds, equity, and currency markets with key macro variables and the crucial role that central banks and monetary policy plays.
  - (2) The application of basic and intermediate level models to economic policy and shock analysis used in a real world investment process.
  - (3) The key variables that shift demand and supply for bond, equity and currency markets.

(4) The analytical processes involved in a macro-focused Asian equity investment strategy. (5) The use of data in an investment process such as: factor analysis, valuation analysis, and the interpretation of key macro-financial indicators.

#### PREREQUISITES

No formal prerequisite but assumed knowledge is ECON 5200. This course does NOT require university mathematics. Analytical concepts are mainly taught using graphical methods. While some simple equations may be used, calculus is NOT required. Theory is supported by real World applications for greater understanding.

#### RECOMMENDED LEARNING RESOURCES

There is no required textbook. Reference Books: Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets*, 12<sup>th</sup> edition, Global edition, 2019; Mankiw, N.G., *Macroeconomics*, 10th Edition, 2019 (or earlier editions); and N. Gregory Mankiw, *Principles of Economics*, 8th edition, 2018, Cengage. Course notes and additional readings will be posted on Canvas before class. These may include past investment strategy reports published by your instructor.

#### INDIVIDUAL ASSIGNMENTS

Students will be required to submit 2 individual assignments for grading. Each assignment is worth 7.5% for a total of 15% of the total assessment. These will help prepare you for the exam. **No late homework will be accepted!**

#### GROUP PROJECT

We imagine that each group is now working as part of the strategy team at an investment bank or asset manager. Each group will be assigned an economy with specific tasks and a macroeconomic scenario. You will be required to analyze the scenario and develop an investment opinion in the form of a strategy report. The group project will account for 25% of the total assessment. It will comprise a written report and class presentation. In order to reduce “free rider” activity in the group, a peer evaluation score of 5%.

#### ASSESSMENT SCHEME

| Task nature            | Description                                          | Weight |
|------------------------|------------------------------------------------------|--------|
| Exam                   | Examines all topics of Weeks 1-7 of the semester     | 45%    |
| Group Project          | Written report on an economy and market views        | 25%    |
| Peer Evaluation        | Individual Contribution to Group Work                | 5%     |
| Individual Assignments | Two short assignments to be submitted for assessment | 15%    |
| Class Participation    | Constructive contribution to class discussion        | 10%    |

#### 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/vpaa/integrity/>

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## CHAT GPT POLICY

Restricted use of ChatGPT is permitted. It is NOT permitted in exams or quizzes, which are closed book. In assignments or 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.

## EXAM

There will be a 2 hour exam on December 15 that will account for 45% of your final grade. Only serious medical or personal emergencies may be accepted as legitimate excuses for a missed quiz. If you fail to attend an exam for medical reasons, you must present a doctor's note. Otherwise you will receive zero for this assessment item. Exam is closed book but a hand written double sided A4 cheat sheet is permitted.

## COURSE SYLLABUS

Please note this is a tentative schedule. Topic order may be changed and some topics may be removed or modified, based on time constraints, student progression, and continuous improvement.

**Classes will be held Monday evenings 7pm-10:20pm at the Hong Kong Building Central Campus, unless stated otherwise.**

| Week | Date   | Topics <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                    | Reference <sup>2</sup>                   |
|------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| 1    | Oct 27 | <b>Intro to Macro Investing and Review of Key Concepts</b> <ul style="list-style-type: none"><li>• Introduction to Macro Investing (motivation, methodology, and outline of the course)</li><li>• Review of Key Macroeconomic Concepts – Monetary Policy Transmission, ADAS, and ISLM models.</li></ul>                                                                                                | Course Notes, Ch.26, Ch.33**, Ch. 10-11* |
| 2    | Nov 3  | <b>Macro Analysis to Markets I – Bond Markets</b> <ul style="list-style-type: none"><li>• The Macro Factors that shift Bond Demand &amp; Supply Curves – Sovereign and Corporate</li><li>• Focus on Credit – Policy Mistakes, Liquidity, Default Risk (eg Energy Market) and QE</li><li>• Role of Duration in Macro Investing</li></ul>                                                                | Ch.4-6, Course Notes                     |
| 3    | Nov 10 | <b>Macro Analysis to Markets II – Equity Markets</b> <ul style="list-style-type: none"><li>• Inside an Asian Equity Strategy – Asset Allocation</li><li>• Global Macro variables (Trade cycle, USD for example) impact certain markets in Asia more than others. Why?</li><li>• Emerging Market vs Developed Market Choices.</li><li>• Market and Sector Weighting – Valuation and Earnings.</li></ul> | Course Notes, Ch.7                       |
| 4    | Nov 17 | <b>Macro Analysis to Markets III– Foreign Exchange Markets</b> <ul style="list-style-type: none"><li>• Long-term models of exchange rate determination</li><li>• The Macro Factors that Shift FX Demand &amp; Supply</li><li>• Analyzing the Venezuelan Macro Crisis, GFC and Brexit</li></ul>                                                                                                         | Course Notes, Ch.18-19, Ch. 31**         |
| 5    | Nov 24 | <b>Macro Analysis – Open Economy ISLM (Mundell-Fleming)</b> <ul style="list-style-type: none"><li>• Develop the Closed Economy ISLM model to the</li></ul>                                                                                                                                                                                                                                             |                                          |

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<sup>1</sup> Additional references may be provided for certain topics on Canvas or in class

<sup>2</sup> Chapter references are to Mishkin, "The Economics of Money, Banking, and Financial Markets" (12<sup>th</sup> Edition), 2019, unless with asterisk\* for Mankiw, N.G., Macroeconomics, 10<sup>th</sup> Edition, 2019 or earlier editions, or two asterisk \*\* for N. Gregory Mankiw, Principles of Economics, 8<sup>th</sup> edition, 2018, Cengage.

|   |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                             |
|---|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
|   |        | Mundell-Fleming (ISLM open economy) model <ul style="list-style-type: none"> <li>Analyze International Economic Events like the Asia Financial Crisis and the Mexico Crisis.</li> <li>Choosing the framework for Macro Investment Strategy</li> </ul>                                                                                                                                                                                                          |                             |
| 6 | Dec 1  | <i>Guest Lecture - TBD</i><br><br><b>Macro Analysis to Markets IV – Macro Investing with Data</b> <ul style="list-style-type: none"> <li>Key Indicators and the Investment/Risk Management Process – Economic Policy Uncertainty Index (Big Data Study), VIX, Credit Stress Indicators</li> <li>Macro-Finance data analysis</li> <li>Stock picking with factor analysis and macro overlays</li> <li>“Equity Income” Investment Decisions with Macro</li> </ul> | Course Notes, Speaker Notes |
| 7 | Dec 8  | <i>Guest Lecture - TBD</i><br><br><b>Macro to Markets V - Thematics in an Asian Investment Process</b> <ul style="list-style-type: none"> <li>Short lecture on the Role of Themes in Macro Strategy</li> <li>Deglobalization, High-Tech Import Substitution in China, Geopolitical Scenarios on the Korean Peninsula</li> <li>Use of Thematics in Stocks Selection Process</li> </ul>                                                                          | Course Notes, Speaker Notes |
| 8 | Dec 15 | <b>Final Exam</b>                                                                                                                                                                                                                                                                                                                                                                                                                                              |                             |

#### ASSESSMENT TIMETABLE

| Week | Date   | Groups | Topics                                                  |
|------|--------|--------|---------------------------------------------------------|
| 1    | Oct 27 |        | <i>Assignment 1 Posted</i>                              |
| 2    | Nov 3  |        | <i>Form groups for projects after add-drop</i>          |
| 3    | Nov 10 |        | <b>Assignment 1 Deadline</b> <i>Assignment 2 Posted</i> |
| 4    | Nov 17 |        |                                                         |
| 5    | Nov 24 |        | <b>Assignment 2 Deadline</b>                            |
| 6    | Dec 1  |        |                                                         |
| 7    | Dec 8  |        | <b>Group Project Due</b>                                |
| 8    | Dec 15 |        | <b>Exam</b>                                             |

#### EXPECTED WORKLOAD IN ECON 6101F

This is not an easy course for some students. The average student should expect to work at least 1 hour on their own for each class hour in this course to understand the material. If you find this type of material challenging, then you will need to put in more work. Class lectures will be posted well ahead of class and students are advised to read the material before lectures. For most students the lecture notes are sufficient but these are complemented by reference chapters in the syllabus on the previous page. We advise students form study groups to discuss course material and unresolved issues can be directed to the teaching assistant or the professor by email or via office hours.