

HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY



Department of Economics

ECON 5344

MACRO INVESTMENT STRATEGY

(Fall II, 2026-27)

INSTRUCTOR

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CLASS SCHEDULE

Lecture time is Wednesday evenings 7pm-10:20pm, unless stated otherwise at HKUST Admiralty campus. Teaching mode is “face to face”

COURSE DESCRIPTION

This course examines how macroeconomic shocks, policy regimes, and global capital flows transmit into asset prices across foreign exchange, bond, and equity markets. It develops a disciplined macro-to-market framework linking open-economy macroeconomic models to valuation, risk premia, factor rotation, and investment strategy. Core frameworks—including purchasing power parity, interest rate parity, Mundell–Fleming, and exchange rate overshooting—are applied to currency and capital market dynamics, while bond and equity valuation are embedded within macro-financial transmission mechanisms that decompose asset prices into risk-free rates, risk premia, and growth expectations. These macro signals are translated into structured investment processes, including duration positioning, style rotation, factor analysis, and thematic allocation, with particular focus on Asia-Pacific markets. A distinctive feature of the course is the structured and mandatory integration of artificial intelligence as an analytical research and learning infrastructure. Students may use a range of AI tools (including a course-specific NotebookLM resource and other platforms compliant with university policy) to support scenario development, macro-financial dashboards, and simulation exercises, but are required to critically supervise and refine AI-generated outputs using the formal macroeconomic frameworks developed in class. By the end of the course, students should be able to construct internally consistent, macro-driven investment theses suitable for institutional settings and grounded in rigorous economic reasoning.

COURSE INTENDED LEARNING OUTCOMES (CILOs)

After completing this course, students should be able to:

1. Apply and solve open-economy macroeconomic models (including PPP, interest rate parity, and Mundell–Fleming frameworks) to analyze macroeconomic shocks and policy regimes **(PILO 1, 2, 5)**.
2. Evaluate macro-to-market transmission mechanisms by decomposing asset prices into risk-free rates, risk premia, and growth expectations across foreign exchange, bond, and equity markets **(PILO 2, 4, 5)**.
3. Construct coherent macro-driven investment theses integrating valuation, duration positioning, factor rotation, and thematic allocation within institutional settings **(PILO 3, 10, 12)**.
4. Analyze macro-financial data and empirical relationships using structured dashboards and appropriate analytical or econometric tools **(PILO 6, 7, 8, 9, 10)**.
5. Use AI tools in a disciplined manner to generate, simulate, and stress-test macroeconomic scenarios, critically supervising outputs using formal macroeconomic frameworks **(PILO 3, 6, 8, 9, 11, 13)**.
6. Communicate macroeconomic analysis and investment implications clearly and professionally to academic and industry audiences **(PILO 11, 12, 13)**.

PREREQUISITES AND ASSUMED KNOWLEDGE

There are no formal prerequisites for this course. Students are expected to have intermediate undergraduate knowledge of microeconomics and macroeconomics. Familiarity with multivariable calculus and basic quantitative methods is assumed.

RECOMMENDED LEARNING RESOURCES

There is no required textbook for this course. A useful reference for open-economy macroeconomics is Schmitt-Grohé, S., Uribe, M., and Woodford, M. (2022), *International Macroeconomics: A Modern Approach*, Princeton University Press. For review of undergraduate macroeconomics and an introduction to monetary and financial concepts, Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets* (12th edition, Global edition, 2019, or more recent editions) is recommended. Additional academic references will be provided during the course. Industry macroeconomic and investment strategy reports, together with selected journal articles, will also be used in class.

PROBLEM SETS AS PRACTICE QUESTIONS

There are no assessable individual assignments in this course. However, structured practice problem sets will be provided to reinforce core macroeconomic models and macro-financial transmission mechanisms. These exercises are designed to strengthen analytical fluency and prepare students for the Midterm Quiz and Final Examination. Solutions will be provided.

AI SUPPORTED LEARNING AND NOTEBOOKLM

A course-specific NotebookLM resource will be provided on Canvas and forms part of the structured analytical design of this course. Students are expected to use AI tools to review lecture material, construct structured summaries, develop macro-financial dashboards, and explore alternative scenario pathways. AI-generated quizzes and structured analytical prompts will be provided during the semester to support theoretical integration and examination preparation. AI tools are intended to augment, not replace, disciplined macroeconomic reasoning. Students are required to critically supervise and refine AI outputs using the formal frameworks developed in class. Short structured digital diagnostic polls (e.g., Mentimeter) may be used periodically to reinforce theoretical integration and provide real-time feedback on model comprehension.

GROUP PROJECT

The Group Project (25%) requires students to select an economy and produce a structured macro-investment report and professional presentation.

Each group must:

- Conduct a formal macroeconomic diagnosis using the frameworks developed in class;
- Translate macro conditions into equity, bond, and foreign exchange implications;
- Construct an AI-assisted macro-finance dashboard;
- Implement an AI-based macro-financial simulation, generating and stress-testing alternative shock scenarios;
- Critically supervise and refine AI outputs to ensure theoretical consistency.

AI use is mandatory and must be clearly disclosed. Assessment focuses on internal model coherence, disciplined macro-to-market transmission, the quality of the AI simulation, and professional analytical standards.

Peer Evaluation (5%) assesses individual contribution.

FINAL EXAMINATION & MIDTERM QUIZ

A Midterm Quiz covering Lectures 1–3 will be held in class on November 19 during the first hour and will account for 20% of the final grade.

The Final Examination (closed book) will be held during class on December 17, starting at approximately 6:30pm. The duration will be 2.5 hours. The Final Examination is worth 45% of the final grade.

AI tools are not permitted in either the Midterm Quiz or the Final Examination.

Only serious medical or personal emergencies may be accepted as legitimate excuses for a missed assessment. Students who are unable to attend for medical reasons must present a valid doctor's certificate. Unexcused absence from an examination or quiz will result in a grade of zero.

CLASS PARTICIPATION

Class participation reflects constructive analytical contribution during lectures. Participation may include structured discussion, analytical questioning, model-based responses, and engagement in short interactive polls (e.g., via Mentimeter) used to assess macroeconomic mechanism understanding. These activities are designed to support disciplined macro-to-market reasoning and provide real-time feedback on theoretical integration. Participation is evaluated on quality of analytical engagement rather than frequency of verbal contribution.

RUBRICS FOR FINAL GRADE

- **Excellent Performance (A range):** Demonstrates a deep and integrated understanding of the macroeconomic and macro-financial frameworks covered in the course. Applies models with internal consistency and clearly traces macro-to-market transmission into foreign exchange, bond, and equity markets. Constructs coherent, institution-quality macro-driven investment analysis. Uses AI tools in a disciplined manner, critically supervising and refining outputs to ensure theoretical rigor. Performs strongly across the Group Project, Midterm Quiz, Final Examination, and class participation.
- **Good Performance (B range):** Shows a solid grasp of macroeconomic and macro-financial frameworks and applies them appropriately to asset market analysis. Demonstrates reasonable macro-to-market linkage, though integration across models may be less fully developed. Uses AI tools competently but with limited critical refinement. Performs well across major assessments.
- **Marginal Performance (C range):** Demonstrates basic knowledge of macro-financial concepts but limited ability to integrate models or clearly articulate transmission mechanisms. Analysis may be descriptive rather than rigorously model-based. AI outputs may be insufficiently supervised. Meets minimum standards but shows weaknesses in coherence and analytical depth.
- **Fail:** Demonstrates insufficient understanding of the macro-financial frameworks covered in the course. Unable to apply models coherently to asset markets or establish disciplined macro-to-market transmission. Shows inadequate analytical rigor or misuse of AI tools. Performance does not meet minimum academic standards.

ASSESSMENT SCHEME

Task	Description	Weight
Final Exam	Closed-book examination assessing theoretical and applied macro-financial analysis. AI tools are not permitted.	45%
Midterm Quiz	A Midterm Quiz on Lectures 1–3 assessing core open-economy and transmission models. AI tools are not permitted.	20%
Group Project	Group macro-investment report and presentation on a chosen economy. AI use is mandatory, including development of an AI-assisted macro-finance dashboard and scenario analysis.	25%
Peer Evaluation	Individual contribution to the Group Project.	5%
Class Participation	Constructive analytical participation in class.	5%

GUIDELINES ON THE USE AND SUPERVISION OF AI TOOLS

AI tools (e.g., ChatGPT, Claude, NotebookLM, and other platforms compliant with University policy) are a mandatory component of the analytical design of this course, except in the Midterm Quiz and Final Examination.

AI use is required in:

- The Group Project, including development of the AI-assisted macro-finance dashboard;
- The AI-based macro-financial simulation and scenario stress-testing component of the Group Project.

AI tools may not be used in the Midterm Quiz or Final Examination. These assessments are conducted without AI assistance to ensure independent validation of theoretical competence.

All submitted work must reflect disciplined macroeconomic reasoning grounded in the formal frameworks developed in class. AI-generated material must not be copied verbatim or presented as original analysis. Students must clearly disclose how AI tools were used in preparing assessed work, including the platform used and the general nature of prompts employed.

Students are expected not merely to use AI tools, but to critically supervise, challenge, and refine AI-generated outputs to ensure internal model consistency and coherent macro-to-market transmission. The primary basis for evaluation remains theoretical rigor, analytical discipline, and institutional-quality reasoning.

Failure to appropriately supervise or disclose AI-generated content may result in loss of marks and may constitute a breach of academic integrity.

COURSE SYLLABUS

Classes will be held Wednesdays 7:00pm – 10:20pm unless stated otherwise.

Week	Date	Topics ¹	Reference ²
1	Oct 28	Introduction & Foreign Exchange Fundamentals - Introduction to macro investment strategy: methodology, macro-to-market transmission, and course architecture. Real exchange rates and purchasing power parity (PPP), including deviations and the role of non-tradables and trade barriers. Quantity theory of money and long-run exchange rate determination.	Ch. 9 Course Notes.
2	Nov 4	Capital Mobility and Exchange Rate Dynamics - Interest rate parity (covered and uncovered) and global capital market integration. Mundell–Fleming framework under fixed and floating regimes. Exchange rate overshooting and short-run dynamics. Policy shocks and currency adjustment.	Ch. 18–19*, Course Notes
3	Nov 11	Bond Markets and the Macro Determination of Interest Rates - Bond pricing and yield curve fundamentals. Fisher effect and inflation expectations. Macro drivers of sovereign and credit markets. Duration risk, global savings–investment	Ch. 4-6*, Course Notes

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

² Chapter references are to Uribe (2022). Chapter references with * are Mishkin, "The Economics of Money, Banking, and Financial Markets" (12th Edition), 2019

		balances, and macro positioning in bond markets. Selected case discussions draw on institutional fixed-income strategy research and recent market episodes.	
4	Nov 18	Bond Markets (Continued) & Macro Transmission - Duration, convexity, and risk premia. Monetary policy regimes and bond market reactions. Transmission from policy shocks to fixed income and cross-asset implications.	Ch. 4–6*, Course Notes
5	Nov 25	Equity Valuation and Macro-Financial Linkages - Equity valuation frameworks (Dividend Discount Model and Gordon Growth). Decomposition of equity prices into risk-free rates, equity risk premia, and growth expectations. Monetary and fiscal policy transmission to equity markets. Application includes discussion of how macro valuation frameworks are implemented in professional Asia-Pacific equity strategy research.	Ch. 7*, Course Notes, Industry Reports
6	Dec 2	Factor Rotation and Data in Macro Investing - Macro regimes and style rotation (value, growth, cyclicals, defensives). Introduction to factor analysis and macro-financial indicators (e.g., volatility, policy uncertainty, credit stress). Integration of macro signals into portfolio construction, with reference to institutional multi-asset strategy processes.	Course Notes, Industry Reports
7	Dec 9	Thematic Allocation and Structured Macro Investment Process - Thematic investing within a macro framework. Translating macro views into sector allocation, factor tilts, and stock selection. Application to Asia-Pacific markets. Guest speaker (Aleksey Mironenko – Leo Wealth) and applied macro investment case discussion, including selected examples reflecting institutional research practice..	Speaker Notes, Group Presentation Slides
8	Dec 16	Final Exam	

ASSESSMENT TIMETABLE

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

Date	Topics
Nov	After Add-Drop Form Groups and Choose Economies
Nov	Group Meetings on Zoom
Nov 18	Midterm Quiz
Dec	Macro Investment Report Due
Dec 16	Final Exam

ACADEMIC INTEGRITY POLICY

Honesty and integrity are central values at 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/>