Aston Business School
Birmingham

BFM117 TRADING TECHNIQUES

Academic Year 2013/14

Number of Aston Credits: 15

Number of ECTS Credits: 7.5

Staff Member Responsible for the Module:

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Or contact the Finance and Accounting Administrator:
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Staff Member Teaching the Module:

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Availability: Via email only
Or contact the Finance Group Administrator:
Mrs Rosaleen Shirley, Room ABS 404, Extension 3238
Email: r.shirley@aston.ac.uk

Mode of Attendance:

On-Campus

Pre-requisites for the Module:

This module is for students studying MSc Finance & Investments and MSc Investment Analysis. Students should have a basic understanding of financial markets, including the concept of bid and offer pricing of financial instruments. They should also be spending at least 15-30 minutes a day examining market rates, reading market analysis & economic forecasts for financial markets.

This information can be found in the Financial Times or online at any good finance site (FT.com, yahoofinance.com, googlefinance.com, FXStreet.com, etc.).

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Module Objectives and Learning Outcomes:

This module develops the academic approach to market analysis into the real world of financial markets trading. It provides students with a comprehensive understanding of how financial markets operate in the real world and how fundamental, technical and psychological influences affect market prices. Students will learn how to study price action within currencies, stock indices, futures and commodities and will have access to real-time market information on which to apply this knowledge.

The module is presented by a professional trader who will share his own experiences in the market to help students derive the maximum benefit from the many sources of information currently available. Students who successfully complete the module will be able to:

- Interpret a variety of information from different sources and assess the potential impacts of this information on forex rates, stock indices, futures and commodities.
- Evaluate the performance of currencies and securities and determine whether a currency or a security is under-priced or over-priced.
- Interact with market colleagues and competitors using the appropriate market terminology and etiquette.
- Use modern information technology to evaluate and trade different types of securities and currencies.
- Determine the implications of using different types of trading techniques to analyse and trade in the financial markets.

Students will also have developed the following sets of skills:

Knowledge and understanding:
- Decision making skills in finance and investments
- Financial market structures and “dealing room” environments
- Mathematical and technical techniques used in finance and investments
- Trading decision-making within a financial context
- An understanding of money management techniques

Intellectual skills:
- Problem solving and critical analysis
- Ability to apply fundamental and technical trading techniques
- Demonstrate competence in critical reasoning and decision making

Professional skills:
- Use key decision-making tools in finance and investments
- Be able to make investment recommendations based on financial information
- Apply mathematical and statistical techniques in trading analysis & research
- Exhibit familiarity with financial market trading systems and databases

Transferable/key skills:

- Listening skills, information retrieval and written presentation skills
- Trading and market analysis skills
- Data collection and collation

These objectives contribute to the following programme objectives. A1-A5, B1-B3, C1-C3 and D2-D7.

Corporate Connections:

The lecturer for this module is an investment professional with more than 25 years' experience of working in the financial markets. Passing on real-life experiences and knowledge of the fast-moving world of international finance is an integral part of this module.

International Dimensions:

This module will have a strong international focus and will discuss the correlation between various global markets across many geographical regions. All asset classes will be covered, although emphasis will be focused on foreign exchange, commodities and futures markets.

Contribution of Research:

This module content will draw significantly on many years of analysis and research by investment practitioners into market price action and how investor psychology affects asset valuations within the fundamental and political environment. The module is underpinned by up-to-date research and analysis of current financial markets.

Ethics, Responsibility & Sustainability:

This module will incorporate issues such as professional ethics within financial markets trading, including international codes of conduct, personal and corporate accountability and transparency across the entire trading process.

Method of Teaching:

The module will be taught by lectures and by individual reading and market study. Understanding will be reinforced with in-class practical trading exercises and a mid-term coursework assignment.

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Module Content:

Topic 1: Financial Services Industry Landscape

- Introduction
- The effects of psychological biases on trading performance
- Financial market analysis
- Traded markets overview
- Correlations between different asset classes
- Fundamental vs. technical approach to trading and investment

Topic 2: Technical Trading Techniques

- How to analyse traded markets from a technical perspective
- Identifying market sentiment & crowd behaviour
- Dow Theory
- Support, resistance & trends - How to recognize areas of supply and demand
- Identification of price patterns to generate targets

Topic 3: Trading Currencies and Interest Rate Markets

- Foreign Exchange (FX) market landscape
- FX market participates – where and how is FX traded
- How FX rates affect/are affected by the global economy
- Foreign exchange spot, forwards and futures markets
- Interest rate carry trade

Topic 4: Advanced Technical Trading Strategies & Options Basics

- Basics of options trading
- Trading using Moving Averages & MACD
- Momentum Indicators – Advanced warning signs
- Oil, Gold and commodities

Topic 5: Risk, Futures Trading & Japanese Candlestick Trading

- Japanese candlestick charting techniques
- Volume and On Balance Volume
- Financial terms & types of risk
- Futures trading

Topic 6: Revision

- Preparation for final exam
- Review of key terms introduced during the course
- Q&A Answer session

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Method of Assessment and Feedback:

This module will be assessed in two stages, with the Final Examination accounting for 70% of the total evaluation:

Market Analysis Assignment	30%	Mid-term group coursework assessment
Final Examination	70%	2-hour unseen, closed-book final exam

Students will be informed of the exact dates of each assessment via Blackboard and in the lectures.

Feedback will be made through feedback sheets and comments on Blackboard.

Learning Hours:

There will be a series of five 3-4 hour lectures plus 1-hour practical laboratory sessions throughout the spring term, plus a revision lecture in the period leading up to the final examination.

Pre-reading	6
Contact hours	24
Further private study	120
TOTAL	**150**

Private study comprises guided reading and preparation associated with laboratory classes: laboratory practice; student self-directed learning in the subject area of the module; preparation and production of assessed coursework; examination preparation and revision.

The following readings are subject to change. Students should not therefore purchase textbooks prior to commencing their course. If students wish to undertake background reading before starting the course, many of the chapters/readings are available in electronic form via on-line library catalogues and other resources

Pre-reading:

John J Murphy: *Technical Analysis of the Financial Markets (chapters 1-6, 9, 10 & 12)*

Recommended Reading:

Lecture handouts (to be provided)
Reference manuals (to be provided)

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John J Murphy: *Technical Analysis of the Financial Markets (chapters 1-6, 9, 10 & 12)*

Indicative Bibliography:

Jack D. Schwager - *Getting Started in Technical Analysis*

Curtis Faith - *Way of the Turtle: The Secret Methods that Turned Ordinary People into Legendary Traders*

Schwager, Jack D., 1948-. - Market Wizards : interviews with top traders
Schwager, Jack D., 1948-. - The New Market wizards : conversations with America's top traders

Ferguson, Niall. - The ascent of money: a financial history of the world

Mandelbrot, Benoit B. - The (mis)behavior of markets : a fractal view of risk, ruin, and reward

Financial institutions, market and money. - 10th ed. - Hoboken, N.J.: Wiley, 2008

Murphy, John J. - Study guide for technical analysis of the financial markets

Katz, Jeffrey Owen. - The encyclopedia of trading strategies