Eco 251 Microeconomics  Jane Cline, instructor

**Course Description:** This course introduces students to economic analysis of individual, business and industry choices in the market economy. Topics include the price mechanism, market system, supply and demand, costs and revenues.

**Description of Module:** Increasing cultural awareness about East Asia via financial markets. This module provides insight as to how markets, built on supply and demand, operate in global economies. In addition, it introduces students to financial markets increasing financial literacy.

Microeconomics draws students from across many curriculums at Forsyth Tech. Students in business related programs such as Accounting, Business Administration, International Business, and Logistics must select either microeconomics or macroeconomics as a core requirement. In addition, the class is an option for the social science requirement in the Associate in Arts and Associate in Science associate degree programs.

**Objectives:**

1. **Globalize an introductory micro class.** Students research an East Asian country and follow one of the country’s stock indices for 4 -6 weeks.
2. **Familiarize students with current events in microeconomics.** Markets react to news, innuendo, fact, and rumors. Stocks, and the indices into which they are grouped, react to news about changing sales, profits, and costs. Students will collect daily closing information on a foreign stock index, and a US stock index. Students will read, analyze, and summarize news that is impacting the indices on a weekly basis. Students will understand the interrelatedness of world markets.
3. **Integrate US financial markets and foreign markets into a Micro class.** Central to any Micro class are the concepts of supply, demand, equilibrium, markets, and the factors that influence changes in supply and demand. Students will witness markets in action. Students will track real financial indices based on supply and demand.
4. **Current students will need to invest for retirement.** This project will expose students to a foreign and a domestic stock market; and increase their level of financial literacy.

**Methodology:**

Students will be exposed to East Asian culture, business, and economic concepts by the reading the news related to those countries. They will also learn that events in other parts of the world impact US markets. This is designed to be an independent project that an instructor can drop into a course, and not lose valuable class time on the project. It is simple and direct, but students will learn much about the economies of East Asia in the process.

Instructors will need to spend about an hour going over the project and showing students how to use some the sites listed in the resource area of this module. At the beginning of the project, students should be
given the list of resources listed at the end of this module, the
information that follows below, and a copy of the example. Not all
resources will be pertinent to each student, but many are general
enough to provide background information and current news issues.

This is a research project, so instructors should review the resources
by pulling them up online in the classroom. Students should be given
all the parameters listed in the directions below. After the paper is
turned in, the instructor should again review the resources available to
collect the weekly tracking information on the indices, and the
periodicals and newspapers and websites that have current events
relevant to the remainder of the project.

In addition, I have attached a copy of a similar project that I run in my
macro class as a go by for students and instructors. It is not an exact fit,
but sufficient to provide students and instructors a model. This
example only includes information on the items tracked, not
information about the countries involved.

Directions:

The first 2 weeks will be devoted to collecting and summarizing, in a paper,
the data and statistics about the country of the foreign index being followed.
Students will also collect information regarding the indices being tracked. Due
by the end of week two: A 3-5 page paper, font size 12, double spaced, MLA
citation format, qualified sources regarding the research on the foreign country
and for your indices. Instructors will decide how to grade the paper in terms of
grammar, etc. No wikis, remember wikis can be changed by anyone, but
you can use the qualified links often listed in a wiki.

If your last name starts with A-F: Foreign country is China, foreign index is the
Shanghai Composite, and US index is Standard and Poor’s 500 index or S&P 500.

If your last name starts with G-Q: Foreign country is South Korea, foreign
index is the Kospi, and U.S. index is Dow Jones Industrial Average or DJIA or the
“DOW”.

If your last name starts with P-Z: Foreign country is Japan, foreign index is the
Nikkei 225, and US index is NASDAQ.

Research your country in East Asia and gather this information and
submit your 3-5 page paper.

A. Demographics
1. What are principal cities? What is the capital?
2. What is the official language? What is the area or size?
3. What countries or geographic areas surround this country?
4. What is the population based on the most recent census?
5. What are the principal ethnic groups?
6. What type of political system is used?
7. Who is the leader? What is the leader’s title?
8. What is the literacy rate? Compare to US.

B. Economic information
1. What type of economic system is used?
2. What are the amounts of exports and imports?
3. What are the principal exports?
4. What are the principal products produced?
5. What are GDP and GDP per capita? Compare to US.
6. What are the rates for inflation and unemployment vs. US?

Research on indices
1. Research indices to be followed. How many stocks are included?
2. When were they formed?
3. Is the US index used as a benchmark? If so, for what?
   For ex. Russell 2000 is widely used as benchmark for Mutual Fund companies that have a small cap fund.

In the remaining 4 weeks students will collect the daily close of the indices they are following (NOTE: this part can be extended to 6 weeks if an instructor desires). Students will submit the daily closing numbers along with 2-4 paragraphs explaining how foreign and domestic economic news has impacted the indices they are tracking. For example if something happens in North or South Korea that causes the Kospi to fluctuate, they need to include this information in the paragraphs.

This module will count 10-15% of the final grade. (Or any percentage an instructor chooses). The weekly submission grades will be averaged and the average will count 50% of the module grade. The grade on the paper will count 50% of the module grade (again this is up to the instructor).

In closing, students will grasp why markets move, be exposed to East Asia, and be encouraged to pursue a life-long interest in economics and finance.
Resources

Resources for paper:

1. Link at US State Department for countries:
   http://www.state.gov/countries/ or US Dept of State Background Notes
   http://www.state.gov/r/pa/ei/bgn/
   Note: at the US State Department website use background notes. This publication include facts about the land, people, history, government, political conditions, economy, and foreign relations

2. Link for Trading Economics a global website for economic data:
   http://www.tradingeconomics.com/default.aspx

3. Link for Nationmaster. Compilation of data from such sources as the CIA World Factbook, UN, and OECD. Enables one to do cross country analysis and generate maps and graphs.
   http://www.nationmaster.com/index.php

4. Link for US Census Bureau information on US trade:
   Note: you will have to look for the latest release or update:
   http://www.census.gov/foreign-trade/data/index.html

5. NCLIVE available in our library at FTCC and at other community colleges and Universities. (use advanced search)
   At the right click on Country Reports - put in country name
   This data comes from several publishers - especially useful are Country Reports (from Economist Intelligence Unit) and Political Risk Yearbook (from PRS - also contains economic risk).
   You can also go directly to these publishers by clicking on Country Reports at the right and then choosing the publisher tab.
   The full text of the WSJ is also at NCLive.

6. Link for Investopedia basic stock market quiz (this is fun!!!):
   http://www.investopedia.com/university/stocks/quiz.asp?viewed=1
   Articles about foreign markets under tab Financial Edge, choose international markets on left

7. Link for Trading economics a global website for economic data:
   http://www.tradingeconomics.com/default.aspx
8. Links for great info on Treasury bonds:
   
   
   OR:
   
   http://www.treasurydirect.gov/indiv/products/prod_auctions_glance.htm

9. Link for Shanghi Composite Index:
   
   
   OR:
   

10. Link for Thailand Set 50:
    
    http://www.set.or.th/en/about/overview/history_p1.html

11. Link for Philippines’ Stock Exchange:
    
    http://www.pse.com.ph/

12. Link for Nikkei, Japan’s Stock Index:
    
    http://e.nikkei.com/e/fr/freetop.aspx

13. Link for ehow: You can search for index history at this site. This is direct link for the Kospi.
    

   Resources for Weekly submissions

14. Link for CNBC.com: At this site you can collect the daily close of the indices you are following by clicking on markets, then markets front. Choose bonds under markets to see the US Treasury bond closing price and yield. If you click on the index name, you will see more information about the index and related articles as well.
    
    http://www.cnbc.com

15. Link for Yahoo Finance.com: At this site you can get similar information and articles, but they often do not have the closing yield and closing price on the US Treasury bonds.
    
    http://finance.yahoo.com/

16. Link for The Economist Magazine: A more European perspective of global markets.
http://www.economist.com
17. Link for Wall Street Journal: Great financial information.
   http://online.wsj.com/home-page
18. Link for International Herald Tribune: Great international and Asian coverage.
   http://global.nytimes.com/?iht
19. Link for Southeast Asian Times: The name says it all.
   http://www.southeastasiantimes.com/
20. Link for World Press:
   http://www.worldpress.org/asia.htm
21. Link for Barron’s:
   http://online.barrons.com/home-page
22. Link for Ask.com: At this site you can collect a variety of information and ask questions.
   http://www.ask.com/?o=10181&jr=true
23. Link for CNN money Note there is an underscore between world and markets if you are typing this in the search bar.
   http://money.cnn.com/data/world_markets/europe/
Example of Weekly Summary with Index information

Note: this contains information on Treasury Issues as well as on the indices and includes my comments back to the student.

<table>
<thead>
<tr>
<th>S and P 500</th>
<th>Last</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday, February 08, 2010</td>
<td>1056.74</td>
<td>-9.45</td>
<td>-0.89%</td>
</tr>
<tr>
<td>Tuesday, February 09, 2010</td>
<td>1070.52</td>
<td>13.78</td>
<td>1.30%</td>
</tr>
<tr>
<td>Wednesday, February 10, 2010</td>
<td>1068.13</td>
<td>-2.39</td>
<td>-0.22%</td>
</tr>
<tr>
<td>Thursday, February 11, 2010</td>
<td>1078.47</td>
<td>10.34</td>
<td>0.96%</td>
</tr>
<tr>
<td>Friday, February 12, 2010</td>
<td>1075.51</td>
<td>-2.96</td>
<td>-0.27%</td>
</tr>
</tbody>
</table>

The S&P 500® has been widely regarded as the best single gauge of the large cap U.S. equities market since being founded in 1860; the index was first published in 1957. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities, and includes both growth stocks and the generally less volatile value stocks.

The components of the S&P 500 are selected by committee. The index does include a handful (5 as of September 15, 2009) of non-U.S. companies. This group includes both formerly U.S. companies that have reincorporated outside the United States, as well as firms that have never been incorporated in the United States.

**Week summary:** This week we found Greece in a financial nightmare with its huge amounts of debt. This news has given the market some ups and downs. However in the last hours of trading Warren Buffett's Berkshire Hathaway was reported to be added to the S&P 500 after closing Friday, helping to boost trade. *(Good job, maybe more info next week/ Jane Cline)*

<table>
<thead>
<tr>
<th>China’s Shanghai Composite index</th>
<th>Last</th>
<th>Change</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday, February 08, 2010</td>
<td>2935.174</td>
<td>-4.228</td>
<td>-0.14%</td>
</tr>
<tr>
<td>Tuesday, February 09, 2010</td>
<td>2948.842</td>
<td>13.668</td>
<td>0.50%</td>
</tr>
<tr>
<td>Wednesday, February 10, 2010</td>
<td>2982.5</td>
<td>33.658</td>
<td>1.14%</td>
</tr>
<tr>
<td>Thursday, February 11, 2010</td>
<td>3009.74</td>
<td>27.24</td>
<td>0.91%</td>
</tr>
<tr>
<td>Friday, February 12, 2010</td>
<td>3018.133</td>
<td>32.634</td>
<td>1.09%</td>
</tr>
</tbody>
</table>

The Shanghai Stock Exchange (SSE) was founded on Nov. 26th, 1990 and in operation on Dec.19th the same year. It is a membership institution directly governed by the China Securities Regulatory Commission(CSRC). The SSE bases its development on the principle of "legislation, supervision, self-regulation and standardization" to create a transparent, open, safe and efficient marketplace. The SSE endeavors to realize a variety of functions: providing marketplace and
facilities for the securities trading; formulating business rules; accepting and arranging listings; organizing and monitoring securities trading; regulating members and listed companies; managing and disseminating market information.

After several years’ operation, the SSE has become the most preeminent stock market in Mainland China in terms of number of listed companies, number of shares listed, total market value, tradable market value, securities turnover in value, stock turnover in value and the T-bond turnover in value. December 2007 ended with over 71.30 million investors and 860 listed companies.

SSE Indices are price indices including SSE 180 Index, SSE 50 Index, SSE Dividend Index, SSE New Composite Index, SSE Composite Index, Sector Indices, SSE Fund Index, SSE Government Bond Index, and SSE Corporate Bond Index.

Week summary: Shanghai Composite rose higher as the government tightened its lending standards of capital standards for banks. *(Need more information in the future, a paragraph at least/ Jane Cline)*

<table>
<thead>
<tr>
<th>10 year US Treasury bond</th>
<th>Price</th>
<th>Price Change</th>
<th>Yield</th>
<th>Yield Change</th>
<th>Price close</th>
<th>Yield close</th>
<th>Trade time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday, February 08, 2010</td>
<td>98.4531</td>
<td>0.0938</td>
<td>3.5635</td>
<td>-0.0116</td>
<td>98.4531</td>
<td>3.5751</td>
<td>5:35:27</td>
</tr>
<tr>
<td>Tuesday, February 09, 2010</td>
<td>97.7656</td>
<td>-0.0313</td>
<td>3.6488</td>
<td>0.004</td>
<td>97.7969</td>
<td>3.6448</td>
<td>6:49:19</td>
</tr>
<tr>
<td>Wednesday, February 10, 2010</td>
<td>97.4375</td>
<td>-0.3594</td>
<td>3.6897</td>
<td>0.0449</td>
<td>97.4375</td>
<td>3.6448</td>
<td>5:26:09</td>
</tr>
<tr>
<td>Thursday, February 11, 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friday, February 12, 2010</td>
<td>99.4219</td>
<td>0.2344</td>
<td>3.6947</td>
<td>-0.0284</td>
<td>99.4219</td>
<td>3.7231</td>
<td>5:01:47</td>
</tr>
</tbody>
</table>

Since investors in riskier investments command a higher return as compensation, the yields on many bonds and *money market instruments* are priced at a spread over the corresponding risk-free Treasury rate. Yields on money markets and certificates of deposit are often priced relative to yields on Treasuries of a similar length. Adjustable rate mortgages can be indexed to the one-year Treasury. Fixed mortgage rates are closely linked to movements in long-term Treasury yields, as mortgages are often packaged together and sold as mortgage-backed bonds. Yields on short-term Treasuries can behave differently from yields on longer-term Treasuries.

Week summary missing *(Need information on why bonds have moved in price and yield, and be sure to get all the week’s information/ Jane Cline)*