



## Subject Outline

### **405N The New Zealand Stockmarket**



## Section 1 — General information

### 1.1 Administrative details

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<b>Duration</b>
One study period (12 weeks)

### 1.2 Core or elective subject

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This is an elective subject for the NZX Adviser course.

### 1.3 Delivery mode

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This subject is delivered online.

### 1.4 Assumed knowledge

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Not applicable.

### 1.5 Course transition subject equivalence

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There are no equivalences for this subject.

### 1.6 Work integrated learning

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There are no placements, internships or work experience requirements associated with undertaking this subject.

### 1.7 Other resource requirements

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Students do not require access to specialist facilities and/or equipment to undertake this subject.



## Section 2 — Academic details

### 2.1 Subject overview

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This subject focuses on the structure, functions and operations of the securities market in New Zealand (the New Zealand Exchange, or NZX). It includes discussion on the roles of the NZX and its participants, as well as their interrelationship with global financial markets and the subsequent impact on NZX investors. The subject also discusses elementary portfolio construction, processes used in evaluating securities, and the variables that impact on their pricing. Individuals will apply their knowledge via New Zealand-based case studies and scenarios so that they may gain a ‘real-world’ perspective.

### 2.2 Subject learning outcomes

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On successful completion of this subject, students should be able to:

1. Outline the structure, organisation and roles of the NZX and its participants.
2. Discuss the types of stockmarket products and the way companies use the stockmarket to raise funds on the NZX.
3. Discuss how securities are traded and settled in the NZX and the most common corporate actions.
4. Apply pricing and valuation methods for equity and debt market securities and assess the investment process.

### 2.3 Topic learning outcomes

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#### Topic 1: The New Zealand stockmarket — an overview

On successful completion of this topic, students should be able to:

- describe the role of a stock exchange
- explain how the stockmarket functions as a capital raising and an investment medium
- distinguish between the primary and secondary markets
- describe some of the roles of sharebrokers
- describe the major sectors of the New Zealand sharemarket
- explain the use of sharemarket indices and calculate their movement in points and percentage terms
- state what is meant by market capitalisation
- distinguish between a bull and a bear market
- explain what is meant by market liquidity and discuss its importance
- describe how institutional and retail investors use the New Zealand sharemarket
- comment on the relative weighting of institutional and retail investors in the market and give reasons for recent trends
- describe the composition of the S&P/NZX indices.



## Topic 2: NZX market participants and share registries

On successful completion of this topic, students should be able to:

- describe the role of an NZX Market Participant
- outline the structure of a typical NZX Market Participant
- describe brokerage
- outline the role of share registries.

## Topic 3: Raising funds on the stockmarket

On successful completion of this topic, students should be able to:

- state the advantages and disadvantages of listing on the NZX
- describe the role of an organising participant
- describe the legal requirements relating to, and the main contents of, a Product Disclosure Statement
- describe the requirements relating to a Product Disclosure Statement and register
- list and describe the various types of securities an issuer may issue to raise equity funds
- list and compare the various techniques by which equity funds may be raised
- briefly describe the requirements of the NZX Listing Rules.

## Topic 4: Stockmarket products

On successful completion of this topic, students should be able to:

- define a share and distinguish between its many different forms
- describe the various ways of classifying the stockmarket
- list and describe the securities which issuers may issue to raise equity capital
- describe the types of trusts listed on the stockmarket
- identify and explain the features of debt securities traded on the stockmarket
- explain how interest rate movements influence the price of debt securities on the secondary market.

## Topic 5: Clearing and settlement of stockmarket transactions

On successful completion of this topic, students should be able to:

- describe NZX's settlement infrastructure
- explain NZX's record date and ex-date regime
- describe the requirements for the handling and protection of client assets.

## Topic 6: Corporate actions

On successful completion of this topic, students should be able to:

- discuss the notice period required under the NZX Listing Rules for benefits, entitlements and obligations
- discuss the treatment of various corporate actions by the clearing house.

## Topic 7: Stockmarket investing

On successful completion of this topic, students should be able to:

- outline the main steps in the investment process
- identify key factors that an investment adviser should be aware of when providing advice
- perform simple compounding and discounting calculations
- calculate the price of simple zero coupon and perpetual bonds
- discuss the impact of changes in interest rates on the prices of bonds
- recognise the various market conventions relating to interest rates, the different 'day-count' methods for discount and bond securities and when a bond is treated as if it were a discount security
- identify the risky stocks from supplied risk values (betas) and calculate the weight of stocks in a simple portfolio based upon the given betas and a target portfolio beta
- distinguish between fundamental and technical analysis
- calculate a company's value and determine whether the company is 'cheap' or 'expensive' from the elementary models provided.

## Topic 8: Factors affecting securities prices

On successful completion of this topic, students should be able to:

- describe the effect of both domestic and international interest rates on the stockmarket
- explain how exchange rate movements influence share prices
- list and describe the components of New Zealand's balance of payments
- describe the impact on share prices of a surplus/deficit in the current and/or capital account
- list and describe the government policies which may affect the market and explain how each of these affects share prices
- explain how the sharemarket is influenced by the commodity markets
- describe the uses and shortfalls of local market indices
- outline some of the reasons why investors choose to invest internationally
- describe the use of world indices for internationally diversified portfolios
- explain the importance of overseas investment as a means of diversification
- explain the difficulties in overseas equity investments.

## 2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Task	Short and long answer questions	Week 4	1–3	20%	LO1, LO2
Assignment 1	Short and long answer questions with scenario analysis	Week 7	1–5	40%	LO1–LO3
Assignment 2	Short and long answer questions with scenario analysis	Week 12	4–8	40%	LO2–LO4



Please refer to our website <[www.kaplanprofessional.edu.au](http://www.kaplanprofessional.edu.au)> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

## 2.5 Prescribed text

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There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan's online databases. Students are encouraged to research and read widely on the topic.

## 2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: The New Zealand stockmarket	10
2	Topic 2: NZX market participants and share registries	10
3	Topic 3: Raising funds on the stockmarket	15
4	<b>Task (Weighting 20%)</b> Topic 4: Stockmarket products	15
5	Topic 5: Clearing and settlement of stockmarket transactions	10
6–7	<b>Assignment 1 (Weighting 40%)</b>	15
8	Topic 6: Corporate actions	10
9	Topic 7: Stockmarket investing	10
10	Topic 8: Factors affecting securities prices	10
11–12	<b>Assignment 2 (Weighting 40%)</b>	15
<b>Total minimum study load</b>		<b>120 hours</b>

Additional study hours (if required), dependent on knowledge and personal commitments	60 hours
<b>Total study load, including additional study hours</b>	<b>180 hours</b>