



## **BUS 346E INTERNATIONAL FINANCE**

### **Ivonne Cadavid**

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Office Hours: Tuesdays 12-12:30 or by appointment

### **Course Information:**

Spring 2023

Monday and Wednesday

(a) 10:30-11:50

Tuesday and Thursday

(b) 9:00-10:20

### **Course Description**

This course will explore the world of international finance including the dynamics of exchange rates, foreign investment, and how these affect international trade. It also includes a brief introduction to the study of futures, options and currency swaps.

### **Course Goals and Methodology**

The main purpose of this course is to introduce students to the complex world of International finance. The methodology of the course will be based on slides summarizing key concepts, problem sets with practical application of financial theory and quizzes that check student's understanding of key concepts presented.

The first part of this course is dedicated to establishing that a global marketplace exists and in order to be competitive you must be an active participant. Various risks that need to be considered when doing international business and the major difference between domestic and international finance. Later, the history of today's international monetary systems, its major players and the current exchange rate regimes that exist today will be presented. The current market for foreign exchange will be introduced and students will learn to read and interpret currency quotes, translate quotes and manipulate currency exchange rates to create arbitrage opportunities.

Finally, futures contracts and forecasting future exchange rates will be introduced along with a discussion of various economic theories including: 1) Purchasing Power Parity, 2) the Fischer Effect, and 3) the International Fischer Effect. The course will conclude with a brief introduction to the derivatives market including futures and options.

### **Learning Objectives**

At the conclusion of this course students will:

1. Learn and understand the terminology used in international finance (futures, forwards, arbitrage, inflation, options, etc.)
2. Demonstrate knowledge and ability to forecast currency future values and properly assess whether the currency is over/undervalued and why.
3. Demonstrate ability to analyze and evaluate both international financial borrowing and investment opportunities.

4. Analyze and evaluate hedging opportunities, making and receiving international payments, and evaluating transactions in both dollar and foreign currency terms.

**Lectures & Slides based off textbook:**

- EUN/RESNICK. International Financial Management. Fourth edition, McGraw Hill, 2007.

**HELFFUL WEBSITES:**

<http://campusvirtual.upo.es/> on-line platform. Main class material.

[www.economist.com](http://www.economist.com) -analytical articles on world economic/political affairs

[www.nyse.com](http://www.nyse.com) - New York Stock Exchange

[www.nasdaq.com](http://www.nasdaq.com) - Nasdaq Stock Exchange

[www.eurunion.org](http://www.eurunion.org) -EU guide for Americans

[www.ft.com](http://www.ft.com) – Financial Times, international news, economy, corporate activities, shares

[www.oecd.org](http://www.oecd.org) - Organization for Economic Cooperation and Development

[www.londonstockexchange.com](http://www.londonstockexchange.com) - London Stock Exchange

[www.imf.org](http://www.imf.org) - International Monetary Fund

[www.nytimes.com](http://www.nytimes.com) - World news, critical editorials

[www.worldbank.org](http://www.worldbank.org) - World Bank

[www.stockex.co.uk](http://www.stockex.co.uk) - Stock Ex Financial Market News

[www.tse.or.jp/english/](http://www.tse.or.jp/english/) - Tokyo Stock Exchange

[www.forex.com](http://www.forex.com) - FOREX trading platform

**Course Requirements and Grading**

Your final grade will be calculated according to the following:

Midterm Exam	20%
Final Exam	30%
Final Project	35%
In-class participation	15%

Midterm and Final Exam: The midterm covers chapters 1-3 and the final exam covers chapters 4 and 5.

***Midterm and Final Exam dates will not be changed under any circumstances.***

Quizzes and problem sets will count as part of your participation grade.

**Final Project:** The final project will be completed in groups of 2 or 3 students. It consists of a 10-15 minute Powerpoint presentation and a final paper presenting the team's analysis (approx. 15-21 pages). All group members will receive the **same grade** on the final paper and the presentation; therefore, please choose your groups wisely.

There are three main topics to choose from:

1. **Developing countries:** I will expect you to analyze the past, present and future of one of the countries listed. I would like you to analyze the developing country and share your opinion about its future in a global economy based on the results of your study.
2. **Fiscal paradises/Tax havens:** I expect you to choose two fiscal paradises/tax havens listed and compare them to identify which one provides a better investment opportunity depending on the investor (individual, major company, etc.) You are expected to analyze what they are, why they exist, how they work and who is using them.
3. **International Stock Markets:** I will expect you to analyze and compare at least two international stock markets. The final objective is to study whether a correlation does or does not exist regarding the way the markets behave in time. If there is no relationship, your challenge will be to explain why.

Please keep in mind the following deadlines:

In depth discussion about the final project. **Feb 8<sup>th</sup> (M/W section)**  
**Feb 7<sup>th</sup> (T/Th section)**

Last day to submit project topic. **Feb 15<sup>th</sup> (M/W section)**  
**Feb 14<sup>th</sup> (T/Th section)**

Must submit rough draft/extended outline by email. **March 15<sup>th</sup> (M/W section)**  
**March 16<sup>th</sup> (T/Th section)**

Final paper must be printed and turned in class. **April 17<sup>th</sup> (M/W section)**  
**April 18<sup>th</sup> (T/Th section)**

Final Project Presentations. **4/19, 5/3 and 5/8 (M/W section)**  
**4/20, 5/2 and 5/4 (T/Th section)**

**FINAL PROJECT TOPICS:****Topic 1: Developing Countries**

1. Bangladesh	7. El Salvador	13. Pakistan
2. Belize	8. Ghana	14. Nepal
3. Bolivia	9. Honduras	15. Tunisia
4. Cambodia	10. Iran	16. Vietnam
5. Congo	11. Kenya	
6. Egypt	12. Morocco	

**Topic 2: Fiscal Paradises/Tax Havens**

1. Cayman Islands	6. Japan	11. Taiwan
2. Switzerland	7. Netherlands	12. Thailand
3. Hong Kong	8. British Virgin Islands	13. Malta
4. Singapore	9. UAE	14. Qatar
5. Luxembourg	10. UK	

**Topic 3: International Stock Markets<sup>1</sup>**

1. NASDAQ	5. IBEX Spain	9. BOVESPA	13. Shanghai Stock Exchange
2. NYSE	6. EURONEXT	10. SSE	14. Bombay Stock Exchange
3. TYO	7. BORSA Italiana	11. TMX	
4. LSE	8. DAX	12. Hong Kong Stock Exchange	

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<sup>1</sup> Pick any combination of two, plus one representative index for each stock market. The following combinations are not allowed: NASDAQ vs. NYSE; NASDAQ vs. LSE; NYSE vs. LSE.

**In-class participation:** I evaluate your active attention and valid input during lectures, in-class discussion, group activities, etc. I expect you to be respectful of your classmates by arriving on-time and avoiding interne and/or cell phone use during class. Below is a detailed rubric of how I will evaluate your participation:

CRITERIA	25	20	15	10
Level Engagement In-class	Student proactively contributes to class by offering ideas and/or asks questions <b>more than once</b> per class and/or works consistently on group project the entire time.	Student proactively contributes to class by offering ideas and/or asks questions <b>once</b> per class and/or works on group project for most of the allotted time.	Student <b>rarely</b> contributes to class by offering ideas and asking questions and/or works on group project only some of the allotted time.	Student <b>never</b> contributes to class by offering ideas and asking questions and/or has trouble staying on task during group project time.
Listening Skills	Student listens when others talk, both in groups and in class. Student <b>incorporates or builds off</b> of the ideas of others.	Students <b>listens</b> when others talk, both in groups and in class.	Student <b>does not</b> listen when other talk, both in groups and in class.	Student <b>does not</b> listen and ignores when others talk, both in groups and in class.
Behavior	Student <b>almost never</b> displays disruptive behavior during class.	Student <b>rarely</b> displays disruptive behavior during class.	Student <b>occasionally</b> displays disruptive behavior during class.	Student <b>almost always</b> displays disruptive behavior during class
Preparation	Student is <b>almost always</b> prepared for class with assignments and required class materials.	Student is <b>usually</b> prepared for class with assignments and required class materials.	Student is <b>rarely</b> prepared for class with assignment and required class materials.	Student is almost <b>never</b> prepared for class with assignments and required materials.

## General Course Policies

Each student is expected to be familiar with the course syllabus. Students are expected to focus their full attention on the class, arrive on time, and stay until the class ends. Leaving the classroom on repeated occasions is disturbing both to your professor and your classmates and may adversely affect your participation grade. Please make use of the 10-minute breaks in between classes to fill up your water bottle, use the restroom, etc.

Students are expected to listen and respect other points of view. Phone calls, social media, email or internet browsing at any time during class are not acceptable except for specific class-related activity expressly approved by your instructor. You are responsible for any and all course material covered in class, announcements, quizzes and/or handouts if you are not present for any reason.

Students will be held responsible to be up to date by attending class regularly and checking both email and the Blackboard site of the course frequently (monitor your email and Blackboard announcements at least once every 24 hours).

Communicating with instructor: Please allow **at least 48 hours** for your instructor to respond to your emails. The weekend is not included in this timeframe. If you have any urgent request or question for your professor, be sure to send it during the week.

## Attendance and Punctuality

Attendance is mandatory at all classes. As we understand that you might fall ill or be unable to come to class (e.g. due to a religious holiday, a flight delay, a family wedding/reunion, a graduation, a job interview, etc.) at some point during the semester, you are allowed up to **4 absences**. You will be responsible for the material covered and any work missed. You will not need to justify your absences (up to 4) in any way unless you miss an exam, a presentation, a quiz, etc. In this case, you must present a doctor's note (signed, stamped and dated) to be able to reschedule the exam, etc. It will still count as an absence but you will be allowed to retake the exam, etc. We don't encourage you to use all 4 days unless you really need them as your participation grade may suffer if you are not in class. If used unwisely and you get sick last in the semester, the following penalties will apply:

- On your 5<sup>th</sup> absence, 1 point will be taken off your final Spanish grade.
- On your 6<sup>th</sup> absence, 3 points will be taken off your final Spanish grade.
- On your 7<sup>th</sup> absence, you will automatically fail

For classes that meet once a week, each absence counts as two. For classes that meet daily, the penalties outlined above apply if you go over 8 absences (7<sup>th</sup> absence=5<sup>th</sup> absence above). Exams missed due to an excused absence must be made up within a week of returning to classes. Talk to your professor immediately after your return.

## COVID-19

Regarding any changes related to the COVID-19 pandemic, the procedure to follow will be in accordance with the current legislation in the region of Andalusia, Spain.

## Academic Honesty

Academic integrity is a guiding principle for all academic activity at Pablo de Olavide University. Cheating on exams and plagiarism (which includes copying from the Internet) are clear violations of academic honesty. A student is guilty of plagiarism when he or she presents another person's intellectual property as his or her own. The penalty for plagiarism and cheating is a failing grade for the assignment/exam and a failing grade for the course. The International Center may also report this to your home university. Avoid plagiarism by citing sources properly, using footnotes and a bibliography, and not cutting and pasting information from various websites when writing assignments.

## Learning accommodations

If you require special accommodations, or have any other special medical condition you deem may affect your class performance, you must stop by the International Center to speak to the Faculty Coordinator, **Marta Carrillo Orozo** (mcaroro@acu.upo.es) to either turn in your documentation or to confirm that our office has received it. The deadline is **Monday, February 6th**. The Faculty Coordinator will explain the options available to you.

## Behavior Policy

Students are expected to show integrity and act in a professional and respectful manner at all times. A student's attitude in class may influence his/her participation grade. The professor has a right to ask a student to leave the classroom if the student is unruly or appears intoxicated. If a student is asked to leave the classroom, that day will count as an absence regardless of how long the student has been in class.

## COURSE CONTENT:

- Chapter 1.** Globalization and the Multinational Firm.
- Chapter 1** David Ricardo's Comparative Advantage Theory.
- Appendix**
- Chapter 2.** The International Monetary System
- Chapter 3.** The Market for Foreign Exchange
- Chapter 4.** International Parity Relationships & Forecasting Foreign Exchange Rates
- Chapter 5.** Futures and Options on Foreign Exchange (Brief Introduction)

## IMPORTANT REMINDERS:

Last day of Add/Drop: **Monday, January 30<sup>th</sup>**

Last day to submit Learning Accommodation: **Thursday, February 23<sup>rd</sup>**

Midterm Exams: **March 6<sup>th</sup>- March 16<sup>th</sup>**

Last day to Withdraw: **Friday, March 17<sup>th</sup>**

Last day of classes: **Wednesday, May 10<sup>th</sup>**

Final Exams: **Friday, May 12<sup>th</sup>- Wednesday, May 17<sup>th</sup>**

**DETAILED CLASS CALENDER:**

<b>MONDAY</b>		<b>WEDNESDAY</b>	
		01/25	Presentation and Quiz
01/30	Quiz Review and Intro Chapter 1	02/01	Chapter 1/ MNC Activity
02/06	David Ricardo, Ch 1 Appendix	02/08	<b>Final Project Explanation</b>
02/13	Chapter 2	02/15	Ch 2 Financial Crisis Activity
02/20	Finish Chapter 2/ Intro Chapter 3	02/22	Chapter 3 cross rate tables
02/27	Chapter 3 cross rate tables	03/01	Chapter 3 triangular arbitrage
03/06	Chapter 3 triangular arbitrage	03/08	Ch 3 summary/review for midterm
03/13	<b>MIDTERM EXAM</b>	03/15	<b>Rough Draft Due/Presentation Sign-up/Review midterm</b>
03/20	Intro to Chapter 4/IRP prob	03/22	Chapter 4 IRP problems
03/27	Chapter 4 IRP problems	03/29	<b>IRP quiz/ Intro to Discounting</b>
04/03	<b>SPRING BREAK</b>	04/05	<b>SPRING BREAK</b>
04/10	Discounting Problems	04/12	<b>Discounting quiz/ Ch 4 theory</b>
04/17	<b>Quiz PPP/Fischer Effect/ Forecasting, Final project paper due, Ch 5</b>	04/19	Final Project Presentations
04/24	<b>FERIA HOLIDAY</b>	04/26	<b>FERIA HOLIDAY</b>
05/01	<b>LABOR DAY HOLIDAY</b>	05/03	Final Project Presentations
05/08	Final Project Presentations	05/10	Final Exam Review Session

<b>TUESDAY</b>		<b>THURSDAY</b>	
01/24	Presentation and Quiz	01/26	Quiz Review and Intro Chapter 1
01/31	Chapter 1/MNC Activity	02/02	David Ricardo, Ch 1 Appendix
02/07	<b>Final Project Explanation</b>	02/09	Chapter 2
02/14	Ch 2 Financial Crisis Activity	02/16	Finish Ch 2/ Intro Chapter 3
02/21	Chapter 3 cross rate tables	02/23	Chapter 3 cross rate tables
02/28	<b>HOLIDAY</b>	03/02	Chapter 3 triangular arbitrage
03/07	Chapter 3 triangular arbitrage	03/09	Ch 3 summary/review for midterm
03/14	<b>MIDTERM EXAM</b>	03/16	<b>Rough Draft Due/Presentation Sign-up/Review midterm</b>
03/21	Intro to Chapter 4/IRP prob	03/23	Chapter 4 IRP problems
03/28	Chapter 4 IRP problems	03/30	<b>IRP quiz/ Intro to Discounting</b>
04/04	<b>SPRING BREAK</b>	04/06	<b>SPRING BREAK</b>
04/11	Discounting Problems	04/13	<b>Discounting Quiz</b> Chapter 4 PPP/Fischer Effect/Forecasting
04/18	<b>Quiz PPP/Fischer Effect/ Forecasting, Chapter 5</b>	04/20	Final Project Presentations
04/25	<b>FERIA HOLIDAY</b>	04/27	<b>FERIA HOLIDAY</b>
05/02	Final Project Presentations	05/04	Final Project Presentations
05/09	Final Exam Review Session		