

INTERNATIONAL FINANCE

Total length of the module: 45 hours

Number of sessions: 30

Length of each session: 1, 5 h

INTRODUCTION TO THE COURSE

This course extends the principles of finance to the international context. Topics include exchange rate determination, foreign exchange markets, currency derivatives (forwards, futures, swaps, options and money market), and exposure (translation, transaction and economic).

REQUIREMENTS

- Fluent in English

CONTENTS

1. Introduction to International Finance

- The rise of the Multinational Corporation
- The internationalization of Business and Finance
- Multinational Finance Management

2. The Balance of Payments and International Economic Linkages.

- Balance of Payments Categories
- The international flow of goods, Services and Capital
- Coping with the Current Account Deficit
- Problems

3. The Determination of Exchange Rate.

- Setting the Equilibrium Spot Exchange Rate
- Expectations and the Asset Market Model Exchange Rates
- Fundamental of Central Bank Intervention
- The Equilibrium Approach to Exchange Rates
- Problems

4. The International Monetary System.

- Alternative Exchange Rate systems
- A Brief History of the International Monetary System
- The European Monetary System and Monetary Union
- Emerging Market Currency crises

5. The Foreign Exchange Market

- Organization of the Foreign Exchange Market
- The Spot Market
- The Forward Market
- Problems

6. Parity Conditions in International Finance

- Arbitrage and the Law of One price
- Purchasing Power Parity
- The Fischer Effect
- The International Fischer Effect
- The Interest Rate Parity Theory
- The Relationship between the Forward Rate and the Future Spot Rate
- Problems

7. Currency Future and Option Markets

- Future Contracts
- Reading Currency Futures Prices
- Problems

8. Currency Options Markets

- Currency Options
- Reading Option Prices
- Problems

9. Measuring and Managing Transaction and Transaction Exposure

- Alternative Measures of Foreign Exchange Exposure
- Alternative Currency Translation Methods
- Transaction Exposure
- Designing a Hedging Strategy
- Managing Translation Exposure
- Managing Transaction Exposure
- Problems

10. Measuring and Managing Economic Exposure

- Foreign Exchange Risk and Economic Exposure
- The economic Consequences of Exchange Rate Changes
- Identifying Economic Exposure
- Calculating Economic Exposure
- Problems

11. Swaps and Interest Rate Derivatives

- Interest Rate and Currency Swaps
- Interest Rate Forwards and Futures
- Problems

GRADING

Mid-term exam (50%): The midterm exam will cover theory and exercises.

Final Exam (50%): The final exam will cover theory, exercises and case studies.

Extra credit: Attendance 80% of the classes.

BIBLIOGRAPHY

Shapiro, A. (2003). "Multinacional Financial Management". Wiley (7ed)

Rahnema, A. (2007). "Finanzas Internacionales". Ediciones Deusto