



## **BUS 346E INTERNATIONAL FINANCE**

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Office Hours: after class or by appointment only

### **Course Information:**

Spring 2018

(a) Monday and Wednesday  
09:00-10:20

(b) Monday and Wednesday  
10:30-11:50

(c) Tuesday and Thursday  
09:00-10:20

### **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 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 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. We will discuss the various risks that need to be considered when doing international business. Later, we will discuss the history of today's international monetary systems, its major players and the roles of each.

Finally, we will introduce the market for foreign exchange. We will learn how to read currency quotes, translate quotes and manipulate currency exchange rates to identify arbitrage opportunities.

In the second part of the course, we will analyze the foreign currency markets, not only the traditional spot and forward ones, but also the derivatives markets. Specifically, options and futures contracts. We will also discuss inflation and compare different currencies and draw conclusions based on various theories: 1) Purchasing Power Parity, 2) the Fischer effect, and 3) the International Fischer Effect. We will also learn and apply ways to forecast future exchange rates.

### **Learning Objectives**

At the conclusion of this course students will:

1. Know 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. Be able to properly evaluate hedging opportunities, making and receiving international payments, and evaluating transactions in both dollar and foreign currency terms.
5. Refine each student's general business knowledge and extend their ability to confront new situations and propose solutions which can withstand critical examination into the area of international finance.

**Required Texts**

- 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

**General Course Policies**

Please keep your cell phones on silent during class and avoid all cell phone use except for a calculator when working on in-class problem sets. Strictly no food to be consumed in class.

## 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 dates will not be changed under any circumstances.***

Attendance will be taken during the first 10-15 minutes of class and as part of your participation grade I recommend that you come prepared for in-class discussion and/or bring up to date lecture-related articles from magazines, newspapers or any other source that you wish to share with your classmates.

Quizzes and other assignments like problem sets will be given to make sure that you are on track.

## Final Project

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 these countries. 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:** I will expect you to analyze what they are, why they exist, how they work and who is using them. Some examples include the Cayman islands and Andorra.
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:

02/14-15: In depth discussion about the final project.

03/07-08: Last day to submit detailed project topic.

03/28-29: Must submit rough draft/extended outline by email.

05/03: Final paper must be submitted by 11:59 p.m. by email.

05/07-15: Final Project Presentations.

**FINAL PROJECT TOPICS:**

|                 |                |                        |
|-----------------|----------------|------------------------|
| 1. Qatar        | 7. Guatemala   | 13. Bolivia            |
| 2. Saudi Arabia | 8. Colombia    | 14. Belize             |
| 3. Philippines  | 9. Nigeria     | 15. Pakistan           |
| 4. Egypt        | 10. Afganistan | 16. Senegal            |
| 5. Morocco      | 11. Argenita   | 17. Dominican Republic |
| 6. Thailand     | 12. Costa Rica | 18. Ukraine            |

**Topic 1: Developing Countries****Topic 2: Fiscal Paradises/Tax Havens**

|                               |               |                          |
|-------------------------------|---------------|--------------------------|
| 1. The Principality of Monaco | 6. Malta      | 11. Bahamas              |
| 2. The Vatican                | 7. San Marino | 12. Cayman Islands       |
| 3. Panama                     | 8. Aruba      | 13. Switzerland          |
| 4. Andorra                    | 9. Bermuda    | 14. Cook Islands         |
| 5. Cyprus                     | 10. Gibraltar | 15. Antigua and Barbados |

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

|                          |            |  |                            |
|--------------------------|------------|--|----------------------------|
| 1. NASDAQ                | 5. Spain   | 9. Brazil                                    | 13. Shangai Stock Exchange |
| 2. NYSE                  | 6. France  | 10. China                                    | 14. Bombay Stock Exchange  |
| 3. Tokyo Stock Exchange  | 7. Italy   | 11. Canada                                   | 15. Australia              |
| 4. London Stock Exchange | 8. Germany | 12. Hong Kong Exchanges and Clearing Limited | 16. Russia                 |

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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.

### **Attendance and Punctuality**

Attendance is mandatory. More than 3 unexcused absences will result in the lowering of the final grade. Students with more than 2 such absences may not challenge the final grade received. Punctuality is required – lateness will be penalised by 0.5 (over 15 mins) or 1 absence (over 30mins).

### **Academic Dishonesty**

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. Avoid plagiarism by citing sources properly (using footnotes or endnotes and a bibliography).

### **Students with Disabilities**

If you have a disability that requires special academic accommodation, please speak to your professor within the first three (3) weeks of the semester in order to discuss any adjustments. It is the student's responsibility to provide the International Center with documentation confirming the disability and the accommodations required (if you have provided this to your study abroad organization, they have most likely informed the International Center already but please confirm).

### **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.

### **Class Schedule**

- Chapter 1.** Globalization and the Multinational Firm. David Ricardo's comparative advantages theory.  
Main international stock markets review
- 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 (Quick Approach)

**DETAILED CALENDER SECTIONS A & C:**

| <b>MONDAY</b> |                                 | <b>WEDNESDAY</b> |   |
|---------------|---------------------------------|------------------|---|
|               |                                 | 01/31/18         | Presentation and Quiz                   |
| 02/05/18      | Quiz Review and Intro Chapter 1 | 02/07/18         | Chapter 1                               |
| 02/12/18      | David Ricardo, Ch 1 Appendix    | 02/14/18         | Final Project Explanation               |
| 02/19/18      | Chapter 2                       | 02/21/18         | Chapter 2 and Main International Crisis |
| 02/26/18      | Chapter 2 + Chapter 3           | 02/28/18         | <b>HOLIDAY</b>                          |
| 03/05/18      | Chapter 3 problems              | 03/07/18         | Chapter 3 problems                      |
| 03/12/18      | Chapter 3 problems              | 03/14/18         | Chapter 3 Summary/Exam Review           |
| 03/19/18      | <b>MIDTERM EXAM</b>             | 03/21/18         | Review Midterm Exam                     |
| 03/26/18      | <b>SPRING BREAK</b>             | 03/28/18         | <b>SPRING BREAK</b>                     |
| 04/02/18      | Intro Chapter 4                 | 04/04/18         | Chapter 4 IRP problems                  |
| 04/09/18      | Chapter 4 IRP problems          | 04/11/18         | Chapter 4 Discounting problems          |
| 04/16/18      | <b>SEVILLE FAIR</b>             | 04/18/18         | <b>SEVILLE FAIR</b>                     |
| 04/23/18      | Chapter 4 Discounting problems  | 04/25/18         | Chapter 4 PPP/Fischer Effect            |
| 04/30/18      | Intro to Chapter 5              | 05/02/18         | Chapter 5 + summary                     |
| 05/07/18      | Final Project Presentations     | 05/09/18         | Final Project Presentations             |
| 05/14/18      | Final Project Presentations     | 05/16/18         | Final Exam Review Session               |

**DETAILED CALENDAR SECTION B:**

| <b>TUESDAY</b> |                                 | <b>THURSDAY</b> |   |
|----------------|---------------------------------|-----------------|---|
|                |                                 | 02/01/18        | Presentation and Quiz                   |
| 02/06/18       | Quiz Review and Intro Chapter 1 | 02/08/18        | Chapter 1                               |
| 02/13/18       | David Ricardo, Ch 1 Appendix    | 02/15/18        | Final Project Explanation               |
| 02/20/18       | Chapter 2                       | 02/22/18        | Chapter 2 and Main International Crisis |
| 02/27/18       | Chapter 2                       | 03/01/18        | Chapter 3                               |
| 03/06/18       | Chapter 3 problems              | 03/08/18        | Chapter 3 problems                      |
| 03/13/18       | Chapter 3 problems              | 03/15/18        | Chapter 3 Summary/Exam Review           |
| 03/20/18       | <b>MIDTERM EXAM</b>             | 03/22/18        | Review Midterm Exam                     |
| 03/27/18       | <b>SPRING BREAK</b>             | 03/29/18        | <b>SPRING BREAK</b>                     |
| 04/03/18       | Intro Chapter 4                 | 04/05/18        | Chapter 4 IRP problems                  |
| 04/10/18       | Chapter 4 IRP problems          | 04/12/18        | Chapter 4 Discounting problems          |
| 04/17/18       | <b>SEVILLE FAIR</b>             | 04/19/18        | <b>SEVILLE FAIR</b>                     |
| 04/24/18       | Chapter 4 Discounting problems  | 04/26/18        | Chapter 4 PPP/Fischer Effect            |
| 05/01/18       | <b>HOLIDAY</b>                  | 05/03/18        | Chapter 5 + summary                     |
| 05/08/18       | Final Project Presentations     | 05/10/18        | Final Project Presentations             |
| 05/15/18       | Final Project Presentations     | 05/17/18        | Final Exam Review Session               |

**IMPORTANT DATES:**

2/09 Last day of Add/Drop

2/23 Last day to Withdraw

**05/21-05/24 FINAL EXAM PERIOD FINAL EXAM TBD**