

FIN319: International Finance Winter 2011

Course Syllabus

1 Basic Information

Instructor

Name: Stefanos Delikouras

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Office Hours: Fridays 1:00 - 4:00 p.m., Room R0440, Ross School of Business or by appointment.

Class Meetings

T.B.A.

Save the dates

No-class dates: Tu 3/01 - Winter Break.

Midterm exam date: Tu 2/22, 7:00 - 9:00 p.m., Room R2230, RSB.

Final exam date: Tu 4/26, 7:00 - 9:00 p.m., Room R2230, RSB.

Conflict Final exam date: **T.B.A.**

Course Summary and Objectives

FIN319 is an introductory course in International Finance. The course is designed to familiarize students with the basic tools and concepts of International Financial Management. During the first half of the course (up until Winter break and the first Midterm), we will focus on the major characteristics, institutions, and players of exchange rate markets. During the second part of the course, we will examine various other international financial markets (equities, bonds, swaps, and other derivatives), as well as the opportunities they present for corporate financial policies, risk management, and portfolio management. The last lecture of the course will be devoted in explaining and interpreting the recent wave of international financial crises affecting the global capital markets.

Course Prerequisites: FIN300

Relevant Courses: ECON442

2 Text/Readings

The required textbook for this course is:

International Financial Management

by Geert Bekaert and Robert Hodrick (2009, Pearson-Prentice Hall)

ISBN 13: 978-0-13-116360-7

The syllabus, problem sets and solutions, lecture notes and additional readings will be posted on-line at CTOOLS. You should check the website frequently for new updates. YOU ARE RESPONSIBLE for downloading all class materials, handouts, and readings for a session.

The website also contains a discussion board, where I will occasionally post messages with answers to frequently asked questions. Note also that the lecture notes posted on the website are meant to be a supplement to the notes you take in class, and that they are a very poor substitute for class attendance.

3 Course Requirements and Grading

Throughout the course students are expected to work in groups. Homeworks will be submitted in groups. There will be a final project which will be done in groups as well.

Homeworks

There will be four homework sets. Two sets before the Winter break, and two more after the Winter break. Homeworks will be downloaded from CTOOLS. Submission deadlines are:

- Homework.1: 2/1, 7:00 p.m. on my classdesk, at the beginning of the class.
- Homework.2: 2/22, 7:00 p.m. on my classdesk, at the beginning of the class.
- Homework.3: 3/22, 7:00 p.m. on my classdesk, at the beginning of the class.
- Homework.4: 4/19, 7:00 p.m. on my classdesk, at the beginning of the class.

Late homeworks will not be accepted.

Exams

There will be a Midterm and a Final exam for this course. The respective dates are:

Midterm exam date: Tu 2/22, 7:00 - 9:00 p.m., Room R2230, RSB.

Final exam date: Tu 4/26, 7:00 - 9:00 p.m., Room R2230, RSB.

Conflict Final exam date: *T.B.A.*

Exams times ARE NOT Michigan time. Both exams will be closed-book. The Final exam will be a cumulative exam. You are not allowed to use any laptop during the exams, only a financial calculator. For each exam, you will be allowed to bring one 8 1/2" x 11" sheet of paper with notes and formulas (both sides are ok) on it. The paper does not have to be handwritten, yet it CANNOT contain any of the slides from the lecture notes. The cheat-sheet has to be handed in along with the exam. There will be no make-up exam, unless you miss the exam because of a well-documented, valid written medical excuse.

In accordance with the school's policy, you can request to take the final exam in a "Conflict Exam Time" if

- you have four examinations in one day

- you have a conflict with a religious holiday
(see http://www.provost.umich.edu/calendar/religious_holidays.html)

Recruiting activities ARE NOT a valid excuse for missing an exam.

Final Project

There will be one group project. The purpose of the project is to write either a currency report or a portfolio diversification report. Currency reports are routinely prepared and distributed by investment banks to clients worldwide. Currency reports mainly analyse and forecast exchange rates. Typically, a currency report is focused on either one or a set of exchange rates.

The portfolio diversification report, should contain detailed suggestions on portfolio allocation per financial instrument (currencies, bonds, equity indexes), and country. The suggestions should be reasonable and justified. Details about the final project will be discussed during the second half of the class on Feb. 21st, after the Midterm.

This project is to be completed in groups, which I will randomly assign. You have to submit only one report for the entire group, being careful to note all the names of group members, via email to me, in PDF format only, by 7:00 p.m. of the due date: April 26th, 2011. Late reports will not be accepted. The report will be graded based on quality of content, quality of exposition, and the extent to which it feels professionally executed. The report should be no less than three and no more than four pages long.

At the last day of classes, all groups will do a PowerPoint presentation of their reports to the entire class. Probably each group will have 10 minutes to present its suggestion, and additional 5 minutes for Q&A. If you do not like Microsoft PowerPoint, feel free to any presentation software of your choice

Grading

Grades will be calculated according to the following formula:

$$\begin{aligned} \text{Final Grade} = & 10\% \cdot \text{Peer Evaluation} + 15\% \cdot \text{Homework} \\ & + 20\% \cdot \text{Final Project} + 20\% \cdot \text{Midterm} + 35\% \cdot \text{Final Exam} \end{aligned}$$

After the submission of each homework, and after the submission of your final project, all students should send me a confidential email where they grading effort and participation by their group members. The grading scale will be on a 0 - 10 basis.

This class will be graded on a curve, according to the official Grade Distribution Guideline by the Ross School of Business for BBA Course Electives.

Cheating

All students are expected to abide by the University of Michigan Honour Code. The Code and related procedures are found at <http://www.bus.umich.edu/Academics/Resources/communityvalues.htm>

4 Behaviour in Class

During class, students are expected to behave as professional financial analysts. If you need to text someone or talk to someone on the phone, you can quietly exit the class. Please place a name tag with your name in front of your seat at all times.

If you need an accommodation for a disability, or special medical condition, please let me know at your earliest convenience. I will treat information you provide as private and confidential.

5 Course Content & Class Schedule - Tentative

- **Lecture 1 (1/11/2011):** Course Introduction and overview. The Foreign Exchange Market. Readings: Ch.1 & Ch.2 of textbook
- **Lecture 2 (1/18/2011):** Forward Markets & Foreign Exchange Risk. Readings: Ch.4 of textbook
- **Lecture 3 (1/25/2011):** Interest Rate Parities. Readings: Ch.6 & Ch.14 of textbook
- **Lecture 4 (2/1/2011):** Speculation and Risk in the Foreign Exchange Market. Purchasing Power Parity - Homework 1 due. Readings: Ch.7 & Ch.8 of textbook
- **Lecture 5 (2/8/2011):** Real Exchange Rates and Real Exchange Rate Risk. Balance of Payments. Readings: Ch.4 of textbook
- **Lecture 6 (2/15/2011):** Exchange Rate Regimes and Central Bank Intervention. Exchange Rate Determination and Forecasting. Readings: Ch.5 & Ch.10 of textbook
- **Lecture 7 (2/22/2011):** Midterm Exam. Final Project Discussion - Homework 2 due.
- **Lecture 8 (3/8/2011):** International Equity Markets and Instruments. Readings: Ch.12 of textbook
- **Lecture 9 (3/15/2011):** International Equity Diversification. Readings: Ch.13 of textbook

- **Lecture 10 (3/22/2011):** International Asset Pricing - Homework 3 due. Readings: Ch.13 of textbook
- **Lecture 11 (3/29/2011):** Global Bond Markets, Instruments, and Pricing. Readings: Ch.11 & Ch.14 of textbook
- **Lecture 12 (4/5/2011):** Issues in Global Portfolio Management. Currency Risk Management. Readings: Ch.13 & Ch.20 of textbook
- **Lecture 13 (4/12/2011):** International Financial Crisis. Readings: Ch.10 & Ch.14 of textbook
- **Lecture 14 (4/19/2011):** Term Project Presentation - Homework 4 due.
- **Lecture 15 (4/26/2011):** Final Exam.