This course provides an introduction to investing and finance in the emerging markets. The main perspective is that of an investment manager, but the course will also provide insights into key macro-economic policy debates in the emerging markets. The objective is to equip students with analytical tools and practical knowledge about financial markets in developing countries.

Course materials: The main text for this course is:


The text will be supplemented by articles in the course packet. Most of the articles are also available online through the UF business library at http://businesslibrary.uflib.ufl.edu. The course packet also includes chapters from *Emerging Financial Markets* by David O. Beim and Charles W. Calomiris (McGraw-Hill/Irwin, 2001).

The lectures will be in the form of PowerPoint presentations which will be posted to the e-learning site for the course.

Cases: There will be three cases for the course:

1. *Capital Controls in Chile (A) and (B)* by Laura Alfaro and Rafael Di Tella, Harvard Business School Case no. 9-705-031, July 17, 2007; and


Each case will be presented by a team of volunteers. The presenting team will get a team grade for the case and the full five points’ credit for class participation. The team will turn in their presentation slides after the case discussion; no separate case write-up is necessary. All students not presenting the case will take a quiz on the case and get an individual grade. The quizzes and case presentations will be worth the same number of points.

Students new to the case method are encouraged to read Robert F. Bruner, *Note to the student: How to study and discuss cases*, University of Virginia Darden School Foundation (2001).

Students with disabilities will be accommodated. University policy is that such students must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation. [http://www.dso.ufl.edu/drc/](http://www.dso.ufl.edu/drc/)

**Grading:** Grades will be determined by a midterm exam (30%), a final examination (40%) — both closed-book — class participation (5%), problem sets (10%) and three cases (15%). Grading will be in accord with Graduate School policy: [http://www.registrar.ufl.edu](http://www.registrar.ufl.edu)

Class attendance is required. Arrangements can be made to make up assignments and exams missed because of unforeseen events such as illnesses, job-related travel, or family emergencies *provided* the make-ups are arranged beforehand. Any make-up exams for the mid-term and the final will each be offered to students on a single date only.

Laptop policy: There is none. Students overly absorbed in their laptops, however, are unlikely to do well on the class participation portion of their grades.

Cell-phone policy: Not allowed in class.

I will be available for office hours on the weekends classes meet. I also respond to e-mails, usually on the same day.

The final exam will be on Thursday, February 23 from 9:35A-11:30A in HGS 140.

**Lectures**

**Part I: The economic and institutional context**

1. **Overview**

   De Roosa, Chapter 1: Emerging Markets and Their Central Banks.
II. Exchange rate regimes in the emerging markets

DeRosa, Chapters 1, 2, 4, and 5.


III. Capital flows and the balance of payments

DeRosa, Chapters 3 and 6. Open economies and the paradox of international capital.


IV. Capital controls

Case I: Capital Controls in Chile (A) and (B).

DeRosa, Chapter 7, Intervention, sterilization, and capital controls.

V. Financial crises and debt crises


VI. Debt relief

Debt Sustainability in Low-Income Countries: HIPC and Beyond, Presentation, World Bank, Economic Policy and Debt Relief Department, 2005. Available on the e-learning site for the course.

Part II: Investing and finance in the emerging markets

VII. Valuation

Case II: Globalizing the Cost of Capital and Capital Budgeting at AES.


VIII. Investment strategy

At this point the course shifts gears away from macro issues toward investing, raising capital, valuation, and doing business in the emerging markets. It begins with a discussion of the economic foundations of asset allocation and some of the major approaches to investing in emerging market equities.


Emerging Markets Equity Allocator, Leila Heckman, John Mullins, and Vinod Dasaratha, Heckman Global Advisors, a subsidiary of Lebenthal Asset Management, January 2016) — to be posted to Canvas.


IX. Privatizations and state-owned enterprises.

Case III. Banco Ciudad (A) Who is the owner? and (B) Transformation at work.
X. Corporate governance and corruption

Beim and Calomiris, Chapter 4, Legal Foundations and Chapter 5, Information and Control


XI. Development and credit