

**International Finance
FIN 6638 Section 015F**

Warrington College of Business Administration
University of Florida

Spring 2017

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Class meetings: TTH 1:55 – 3:50 in HGS 240 for the seven weeks of Module 4

This course provides an introduction to international financial markets and international financial management. The course will be taught from the perspective of an international fund manager, though much of the material would also be of use to the treasurer of a multinational corporation.

Prerequisites: This course requires that students have completed core courses in corporate finance and statistics, though a review of the fundamentals will be provided in class.

Course materials:

The text for this class is Bruno Solnik and Dennis McLeavey, *Global Investments*, 6th Ed., 2009, ISBN-13: 978-0-321-52770-7, referred to as “SMcL” below.

Articles and the case for the course will be in a course packet available at Target Copy. Most of the articles are also available through the UF Business Library.

Grading: The grades will be determined by a mid-term exam 35%, final exam 40%, cases 15%, problem sets 5%, and class participation 5%. Full credit on the class participation component of the grade will require complete engagement with the class. Grading will be in accord with Graduate School policy: <http://www.registrar.ufl.edu>

Class attendance is required. Five percent of the grade is based on class participation, and any student who is not in attendance is not participating. Arrangements can be made to make up assignments and exams missed because of unforeseen events such as illnesses, job interviews, or family emergencies provided the make-ups are arranged beforehand. Any make-up exams will each be offered to students on a single date only. The final exam will be on Thursday, April 25 from 1:55 - 3:50 in HGA 240.

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.

Deliverables: (1) Three cases, each with an associated quiz; (2) problem sets, some to be done in class; (3) a mid-term; and (4) a final exam. The cases, which are available from Harvard Business Publishing and Darden Business Publishing and are in the course packet are:

Global Asset Allocation: Whither the U.S. Dollar? Darden Business Publishing, UVA-F-1591 (2011).

Hedging Currency Risks at AIFS, Harvard Business School case 9-205-026 (February 28, 2007).

The Euro Zone at 15: A Monetary Union without Growth? Darden Business Publishing, GEM-0136 (2015).

Each case will be prepared and presented by a team of volunteers or — if too few students volunteer — a team chosen by a random selection process. All team members will receive a team grade for the case plus the full five points' credit for class participation for the course. The rest of the class will take a quiz on the case (for the same number of points). Team members presenting the case will not be required to take the quizzes. The class will discuss each case after the team presentation.

Students new to the case method may wish to consult *Note to the student: How to study and discuss cases*, Robert F. Bruner, University of Virginia Darden School Foundation (2001) available at <https://store.darden.virginia.edu> and in the course packet.

Power point presentations used in the lectures will be available on-line.

Laptop policy: Laptops and any devices that can read text (including Smartphones) must be closed during exams. There is no closed laptop policy during the lectures, but students overly absorbed in their laptops are unlikely to do well on the class participation portion of their grades.

Office hours: Wednesdays 3:00-5:00, or by appointment — e-mail me if you would like to meet. I am in my office (308 STZ) most weekdays and respond to all e-mails, usually on the same day.

Course content:

1. Foreign exchange markets

SMcL, Chapter 1, Currency Exchange Rates.

2. International monetary system and capital flows

SMcL, Chapter 2, Foreign Exchange Parity Relationships, pp. 28-38
Chapter 3, Foreign Exchange Determination and Forecasting, pp. 76-83.

A User's Guide to the BOP and IIP, Darden Business Publishing, UVA-BP-0523 (2008)

— Case 1: *Global Asset Allocation: Whither the U.S. Dollar?*

3. International parity conditions

SMcL, Chapter 2, pp. 38-50.

Kenneth A. Froot and Richard H. Thaler, Anomalies: Foreign Exchange, *Journal of Economic Perspectives* (Summer 1990).

4. Exchange rate determination and forecasting

SMcL, Chapter 2, pp. 50-68
Chapter 3, pp. 83-108.

Richard Levich, "Can Currency Movements be Forecasted?" Terrence E. Burns, ed., *Currency Risk in Investment Portfolios*. Charlottesville, VA: AIMR (June 1999).

5. International investing

SMcL, Chapter 5: Equity: Markets and Instruments
Chapter 7: Global Bond Investing
Chapter 9: The Case for International Diversification

6. International asset allocation

SMcL, Chapter 4, International Asset Pricing
Chapter 12, Global Performance Evaluation

Jianguo Chen, Andrea Bennett, and Ting Zheng, "Sector Effects in Developed vs. Emerging Markets," *Financial Analysts Journal* (Nov.-Dec. 2006).

Magnus Dahlquist and Campbell Harvey, "Global Tactical Asset Allocation," *Emerging Markets Quarterly* (Spring 2001).

Heckman Global Advisors, *Global Investment Outlook, Leberthal Asset Management*, (March 2017). Available on the course e-learning site.

7. Derivatives and hedging

SMcL, Chapter 10, Derivatives
Chapter 11, Currency Risk Management

Economic exposure, Darden Business Publishing, UVA-F-1603, Rev. Nov. 12, 2009.

— Case 2: *Hedging Currency Risks at AIFS*

8. Debt crises

Carmen Reinhart and Kenneth Rogoff, "From Financial Crash to Debt Crisis," *American Economic Review* (August 2011).

Christopher Alessi and James McBride, "The Eurozone in Crisis," Council of Foreign Relations, CFR Backgrounders, February 11, 2015.

— Case 3: *The Euro Zone at 15: A Monetary Union without Growth?*