International Finance: Market and Prices

As before, the basic goal of this course is to introduce international financial markets, and to study the economics behind decision-making about investment in the international context. Continuing from last semester, the class starts with a discussion of some international financial instruments, futures, options and swaps. The idea and merit of international portfolio investment will be introduced and studied. And we take up what the foreign exchange exposure is and how to well manage it. We then spend half of time on the important topic, MNC and financial management. Subtopics include direct foreign investment, capital structure, capital budgeting, cash management and international taxation.

Students taking the course are better to have knowledge on macroeconomics, and money and baking, though not required. However, the curiosity about how the international economy works is essential to succeed in the course. Participation in the class discussion may gets extra markups in your final grades.

1. **Recommended Text:**
   
   
   
   

2. **Grading and Important Dates:**
   
   - 4 case studies (team work), 20 marks.
   - 2 short term papers, 10 marks. The first paper is due on April 20, and the second on May 25.

   The case studies and term papers may be completed by a team of at most 3. People can choose their favorite teammates they want to form the team. Note also that the team has to do presentations of one of the term papers in 10 minutes at the anytime after Week 4 (March 10). Those teams who like to do presentation need to notify and send me the ppt at least one week in advance.
   
   - Mid term exam - **March 30, 2004**, 30 marks.
   - Final exam - **June 1, 2004**, 40 marks.
   - TA recitation each week (time to be determined on the first meeting).

3. **Course Outline:**
(a) International bond market
(b) International equity market
(c) Futures and options
(d) Currency and interest rate swaps
(e) International portfolio investment
(f) Economic exposure
(g) Transaction exposure
(h) Translation exposure
(i) Foreign direct investment
(j) Capital structure and cost of capital
(k) Capital budgeting
(l) Cash management
(m) International taxation

4. Useful References:

Besides, you can find a useful web site at: http://www.stern.nyu.edu/~nroubini