BUAD 550-91 International Business

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International Business is a three-hour course that examines global macroeconomics, exchange-rate determination, global financial markets, the basis of trade, trade policy, and economic integration, direct investments, and multinational business.

SLOs:
After completing this course, students will be able to

- Explain how exogenous economic factors determine an economy’s level of GDP, prices, and interest rates
- Explain the relationship between the macro economy, balance of payments, money supply, and exchange rates
- Explain the relation between forward and spot exchange rates
- Explain the Eurocurrency and Eurobond markets and their history
- Explain the global equity market
- Explain the basis of trade between countries
- Explain the impact of international trade policies on a country
- Explain economic integration, the European Union, and the European Monetary Union
- Explain the impact of direct investment and multinational corporations on an economy
- Explain the possible causes of a financial crisis
- Analyze a country’s social, economic, business, and cultural climate
- Analyze a multinational corporation
- Construct a country-specific or region-specific equity portfolio
- Apply Bloomberg to access information and conduct an analysis of a country

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Office Hours: Tuesday and Thursday prior to class

Readings:
- PPT Presentations
- Course Readings

Canvas: Course information can be found in the following Modules:
- Power Points: Contains PPTs
- Test Review Sets: Contains problem sets for preparing for Mid-Term and Final
- Readings: Contains Course Readings and Cases
MODULaES

1. Global Macroeconomics
   Topics
   • Overview of the International Environment
   • Aggregate Supply and Demand Curve Model
   • Monetary and Fiscal Policy
   • Impact of Exogenous Exports on the Macro Economy
   • Impact of Energy Prices on the Macro Economy
   • Investment, Capital Formation, and Growth Process
   • Banking Structure
   • Central Bank Activities
   • Monetary Tools

   PPTs
   • International Economics—Introduction
   • Macrofinance

Exchange-Rate Determination Models
   Topics
   • Overview
   • Exchange-Rate Systems
   • Balance-of-Payments Model
   • Equilibrium Adjustments Under a Fixed and Pegged Exchange Rate System
   • Devaluation
   • Nature of Imbalances
   • Flexible Exchange Rate Model
   • Equilibrium Adjustments Under a Flexible Exchange Rate System
   • Impact of Exogenous Factors on Exchange Rates

   PPTs
   • Fixed Exchange-Rate Model
   • Flexible Exchange-Rate Model

2. Foreign Exchange Market and Exchange-Rate Risk Management: Forward, Futures, and Swaps
   Topics
   • Foreign Currency Market
   • Forward Exchange Rate
   • Futures Market
   • Interest Rate Parity
   • Covered Interest Arbitrage
   • Hedging Interbank Forward Contracts
   • Cross Exchange Rates
   • Triangular Arbitrage
   • Currency Speculation
   • Hedging with Currency Futures, Forward Contracts, and Money Market Positions
   • Hedging International Investments
   • Currency Swaps
   • Foreign Exchange Exposure
   • Debt and Foreign Exchange Exposure
PPTs
- Currency Derivatives
- Currency Swaps
- FX Exposure
- Futures Primer (Not Required)
- Options Primer (Not Required)

3. International Financial Markets and Institutions
Topics
- Financial Markets
- Eurocurrency Market
- Banker’s Acceptances
- Emerging Market Debt
- Foreign Bonds
- Eurobonds
- Global Bonds
- Brady Bonds
- International Banking
- U.S. Banking Crises
- Foreign Equity Markets
- Foreign Stocks
- Gold

PPTs
- Financial Markets—Primer
- Foreign Debt Market
- Eurocurrency Market
- Foreign Equity Market and Gold

4. Basis of Trade, Trade Policy, and Economic Integration
Topics
- Comparative Advantage and Other Trade Models
- International Trade Policy
- Economic Integration
- European Union
- Import Substitution vs. Export Orientation
- Current Problems Facing Developing Countries
- Direct Investment
- Multinational Corporations

PPTs
- Comparative Advantage and Opportunity Cost
- Hecksher-Ohlin Theory
- International Trade Model
- Other International Trade Theories
- Tariffs
- Nontariff Barriers
- International Trade Policy
• Economic Integration
• International Trade Policy
• Developing Countries
• International Resource Movements—MNC

5. Special Topics
Topics
• European Deflation and Lowflation
• Greece and the Future of the EMU
• China’s Economic Growth
• China’s Sovereign Bank
• BRIC
• Dollar-Denominated Debt, Oil Prices, and Petrobras
• World Oil Prices
• Dollar Appreciation
• Bubbles

Readings
• XSBIF Annual Report—Economic Reports
• Others TBD

ASSIGNMENTS

Assignment 1: Country Folder, Journal, and Discussion Post
Study and monitor one or more selected countries or areas (e.g., Euro Zone) using Bloomberg. Maintain a folder and journal for your select country or countries.

- Country Folder should include inputted information (screen shots, articles, Excel data, etc.) related to international financial statistics, economist-briefings, historical Exchange-Rate movements, current exchange rates, forward rates, and interest rates, balance of payments, direct investments, and reserves, analysts’ opinions, current news ETC., ETC., ETC.
- Journal should summarize in bullet form key trends, developments, concerns, and the like of the country.
- The Journal is to be uploaded on Canvas and then later posted on the Discussion Board.
- After posting your journal, respond to your colleagues’ post.

Assignment 2: Multinational Company Folder, Journal, and Discussion Post
Study and monitor one or more selected multinational company using Bloomberg. Maintain a folder and journal for your selected company.

- MNC Folder should include inputted information from Bloomberg: Company information, stock information, international exposure, ETC., ETC.
- Journal should summarize in bullet form key trends, developments, concerns, and the like of the company.
- The Journal is to be uploaded on Canvas and then later posted on the Discussion Board.
- After posting your journal, respond to your colleagues’ post.
Assignment 3: Currency Analysis and Positions

- Construct a portfolio of currencies using Bloomberg’s PRTU screen and analyze the portfolio’s return and correlation using Bloomberg’s PORT, CORR, and PC screens.
- Select one or more currencies and analyze speculative and hedging positions using futures and futures options. For futures options positions, use Bloomberg’s OSA screen.
- Submit (upload on Canvas) your portfolio position and features (PORT etc.) and currency speculative derivative positions (OSA); show in bullet form with key Bloomberg slides.
- Construct a currency position on one or more currencies (e.g., long or short) and a strategy for implementing your position (e.g., call or put purchase, straddle, synthetic long or short, long or short futures, or intra-commodity or inter-commodity spread).
- Post your position with a brief explanation justifying it on the Canvas Discussion Board.
- Respond to the posted portfolio positions of your colleagues.

Assignment 4: Foreign Stock Portfolio

- Construct an equity portfolio that is country-specific or region-specific using Bloomberg. The portfolio is to be constructed using Bloomberg’s PRTU screen and analyzed using Bloomberg’s PORT screen.
- Submit (upload on Canvas) your portfolio position and features (bullet form with key Bloomberg slides).
- Post your portfolio’s position and features to Discussion Board
- Respond to the posted portfolio positions of your colleagues.

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TESTS AND GRADING

1. **Tests**: Tests will be based on material from lectures, readings, and problems (Review Sheets). There will be two exams during the semester: mid-term and final.

2. **Make-up tests** will be given only to students who receive permission from me in advance of the test date.

3. **Grading Weights**
   - Mid-Term: 40%
   - Final: 45%
   - Assignment 1: 5%
   - Assignment 2: 5%
   - Assignment 3: 2.5%
   - Assignment 4: 2.5

4. **Grading Scale**:
   - 93-100: A
   - 89-92: A-
   - 85-88: B+
   - 80-84: B
   - 77-79: B-
   - 74-76: C+
   - 65-73: C
   - 50-64: C-
   - 0-49: F

5. **Modifications**: The course outline is subject to modification during the semester.