2012

FINC 632-01 International Finance

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Class Time and Location: Thursday 6:00 – 8:30 p.m., Smith 252
Office Hrs: Monday 12:30 to 2:30 and 5:15 to 6:00
Wednesday 12:30 to 2:30, 5:15 to 6:00, and 8:30 to 9:00 p.m.


Mission of the Williams College of Business: We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.

Philosophy: The U.S. is totally intertwined with global financial networks – often deeply below the surface. The goal of this class is to use the tools of international finance to examine how market fluctuations and policy decisions made throughout the world affect exchange rates, domestic markets, corporate decisions, and your personal wealth. Overall, the course is divided into two parts. First, we will cover some big picture issues. Given the ongoing global credit crisis, this context is more important than ever. Then we will look at some specifics such as international investing and dealing with exchange rate risk.

Classes: Each class will be a mix of lecture/presentation, discussion, and group problem solving. You are encouraged to participate through questions and comments. Bring your calculator and textbook to each class meeting to ensure active learning. The typical class meetings will begin with a short discussion of issues raised in the news over the last week. I will suggest some problems for additional study and will post solutions on Blackboard. If you have trouble, please be sure to contact me (the earlier, the better).

Course materials: All course supplementary materials will be available on Blackboard. It is your responsibility to check announcements on Blackboard regularly – I will assume that everyone has access to Blackboard and either checks their campus e-mail regularly or forwards the e-mail to another account.

Technology issues: It is the student’s responsibility to obtain a usable calculator before the first exam – no programmable calculators are allowed during exams NOR may cell phones be used OR be visible in any way. Please turn off ringers on cell phones and pagers during class.

Over the past few years, texting and Facebook during class have become significant issues. Excessive use of technology during class is insulting to me and distracting to your classmates. If necessary, I will lower individual grades and stop providing PowerPoint notes. If you’ve got a sick kid or a job deadline, please let me know and I will make exceptions.

Xavier University policies regarding privacy rights, incomplete work and attendance, and academic honesty will be strictly enforced. If an incident of academic dishonesty occurs, the most severe disciplinary action will be taken. Please see the current University catalog.
Performance Evaluation: Course grades will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Currency Project</td>
<td>100</td>
</tr>
<tr>
<td>Exams 1 &amp; 2</td>
<td>200</td>
</tr>
</tbody>
</table>

Most likely I will use a standard grading scale: 90% and above A; 80-89% B; 65-79% C; below 65% F. However, I might use a curve if necessary.

+ or – may be added to these letter grades depending on the distribution of course grades. Typically the lowest 1 or 2 people in a specific range receive a “−” and the highest 1 or 2 receive a “+”.

Exams: Exams most likely will be a mixture of short essay questions, True/False/MC questions, and problems. Partial credit is given on exams and all work must be shown on the problems.

Questions Regarding Grading: Any questions regarding grading of assignments or exams must be addressed within one week of return of the graded assignment or exam to the student.

Make-Up Exams: All exams must be taken on the date specified in the course calendar unless approval of a make-up exam is granted PRIOR to that date by the instructor. Without prior approval, make-up opportunities are limited to documented emergencies. The instructor discretion is used in determining whether a situation constitutes an emergency. The sooner you contact me about any problems, the better your chances of working something out. It will be the student’s responsibility to schedule a time for a makeup exam before the next class meets – no exceptions.

Extra credit: To ensure fairness, no individual extra credit work is available.

Currency project - Team work

Weekly updates & forecast: Each team will present an update weekly on their currency. The forecast is due Monday, Feb 28. It should include the current exchange rate and your predicted exchange rate for April 27.

General theme: Please pretend you are the FX analyst for a big money manager. The portfolio manager has come to you for your opinion about your country and currency. In particular, s/he wants to know about the general economic/investing environment and your perspective regarding the future direction of the currency (i.e., will it appreciate or depreciate).

Presentation: Your presentation will be on the last day of class, May 3rd. Each team will present a summary of their currency and the news that affected their currency over the semester. Turn in a handout copy of your PowerPoint presentation at the beginning of your presentation. Contents of the presentation will be based on your summary, with a number of graphical supplements. You will also provide a one-page executive summary for your classmates at the beginning of your presentation. Attendance and respect for your classmates during the presentations is required. Undocumented absences will result in a score of zero on the presentation portion. Do not ask for forgiveness without written proof.
Summary: The summary can be up to ten pages of text. In addition, you should include a number of key graphics illustrating the nature of your currency (most important you should have a chart showing the performance of your currency over the past two years).

Please include in your summary the most recent spot and forward quotes and a discussion of the important economic news that has affected your currency over the semester. You should also discuss how close your forecasted spot rate was to the actual rate and why you were correct/wrong in your forecast. Be sure to be extremely careful in citing your sources. A failure to document sources will result in a minimum automatic grade reduction of one letter (e.g., A to B).

Peer review/evaluations: At the end of class on May 4th, everyone will fill out a peer review form in order to help evaluate the relative participation level of each team member. You will also provide your evaluation of the other presentations.

Group size: Please form groups of 3 to 4 people. I would like to limit the number of groups to 10 at an absolute maximum so that there will be a reasonable amount of time for each group to present during the final week.

Grading proportions:

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Weekly updates (each week counts)</td>
<td>10%</td>
</tr>
<tr>
<td>Presentation – finals week</td>
<td>30%</td>
</tr>
<tr>
<td>Written summary – due finals week</td>
<td>30%</td>
</tr>
<tr>
<td>Peer review</td>
<td>15%</td>
</tr>
<tr>
<td>Your evaluation of other presentations</td>
<td>15%</td>
</tr>
</tbody>
</table>

Important Dates

Feb 23 or March 1 – test 1
February 27 (Monday) – exchange rate forecast due
March 8 – spring break – no class
April 26 – test 2, plus predication date for exchange rate forecast
May 3 – currency presentations

Topic List (subject to change, probably optimistic)

1. Introductory Issues
2. International monetary system and methods of affecting exchange rates (drawn partially from Chapter 2)
3. Overview of the Euro (notes)
4. Balance of payments (Chapter 3)
5. Foreign exchange markets (Chapter 5)
6. A look at China’s options regarding their exchange rate policy
7. Parity conditions and forecasting exchange rates (Chapter 6)
8. Currency futures and options (Chapter 7)
9. Exposure – (Chapters 8 & 9)
10. Options in international investing (Chapters 12, 13, & 15)
11. Swaps (Chapter 14)
12. Political risk and Foreign direct investment (Chapter 16 and possibly chapter 4)

Some good books for outside reading

Michael Lewis: *Liar’s Poker* & *The Big Short*
Andrew Ross Sorkin: *Too Big To Fail*
Adam Fergusson: *When Money dies: The Nightmare of Deficit Spending, Devaluation, and Hyperinflation in Weimar Germany*
Roger Lowenstein: *When Genius Failed: The Rise and Fall of Long-Term Capital Management*
Edward Chancellor: *Devil Take the Hindmost: A History of Financial Speculation*
Jim Rogers: *Adventure Capitalist*
Gillian Tett: *Saving the Sun: A Wall Street Gamble to Rescue Japan from Its Trillion-Dollar Meltdown*
Ben Mezrich
  *Ugly Americans: The True Story of the Ivy League Cowboys Who Raided the Asian Markets for Millions*
Robyn Meredith: *The Elephant and the Dragon*
Jasper Becker: *Dragon Rising: An Inside Look at China Today*
Rachel DeWoskin: *Foreign Babes in Beijing*
Andy Kessler
  *Running Money: Hedge Fund Honchos, Monster Markets and My Hunt for the Big Score*
Gleeson, Janet: *Millionaire: The Philanderer, Gambler, and Duelist Who Invented Modern Finance*
Carmen Reinhart & Kenneth Rogoff: *This Time is Different: Eight Centuries of Financial Folly*