632-01 International Finance

Tim Kruse
kruset@xavier.edu

Follow this and additional works at: http://www.exhibit.xavier.edu/finance_syllabi_spring_2013

Recommended Citation
http://www.exhibit.xavier.edu/finance_syllabi_spring_2013/22

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

**Learning Goals – Williams College of Business MBA**
The Williams College of Business has chosen to emphasize the following learning goals in its MBA curriculum. Each of these areas will be covered in FINC 600, but special emphasis will be placed on Strategic Thinking and Leadership and Critical Thinking.

1. **Strategic Thinking and Leadership:** WCB MBAs will be able to position organizations in chosen market areas, compete successfully, and satisfy stakeholders with the objective of achieving superior organizational performance.

2. **Global Perspective and Cultural Diversity:** WCB MBAs will be able to work across cultural boundaries, whether these are geographical or societal, in that they possess a recognition and appreciation of the global environment of business and an understanding and appreciation of diversity.

3. **Ethics and Social Responsibility:** WCB MBAs are able to foster an ethical climate in their roles and responsibilities in business and society.

4. **Critical Thinking:** WCB MBAs are able to clarify problems, generate and evaluate alternatives using appropriate analytical and quantitative techniques, and draw conclusions.

5. **Effective Written and Oral Communication:** WCB MBAs are proficient in written and oral communication.

**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 distortions in global credit markets, this context is more important than ever. Then we will look at some specifics such as trading in currency futures options, international investing and dealing with exchange rate/political 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>
</tr>
</thead>
<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

The idea here is to select a country/currency and follow it throughout the semester. Each group will follow the news for the country and will highlight 1 or 2 significant events each week.

Forecast: Each team will present an update weekly on their currency. The forecast is due March 13. All that is required on March 13 is the current exchange rate and your predicted exchange rate for April 24.

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 1st. While I do not want to limit/dictate what you should talk about, the presentation should/might include:
• An overview of the country and its economy
• Specifics regarding items of economic import for the country
• Significant events from the semester
• Your forecast: why/how you made the forecast you did & whether you were correct
• Lots of graphs
• Be a maximum of 18 minutes (you should time yourself before class)

You should give me a copy of your PowerPoint presentation at the beginning of your presentation. You should 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 should be approximately ten pages of text. In addition, you should include a number of key graphics illustrating the nature of your country’s currency and economy.

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 evaluations: At the end, everyone will provide evaluations of the other presentations.

Group size: Please form groups of 3 to 4 people. I would like to limit the number of groups to 8 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:

Weekly updates (each week counts) 10%
Presentation – finals week 45%
Written summary – due finals week 45%

Important Dates
February 20 or March 6 (we will vote the first class) – test 1
February 27 – spring break – no class
March 6 or 13 (depending on the vote) – exchange rate forecast due
April 24 – test 2, plus predication date for exchange rate forecast
May 1 – 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. Parity conditions and forecasting exchange rates (Chapter 6)
7. Currency futures and possibly options (Chapter 7)
8. Economic Exposure and Political Risk – (Chapters 8 & 9 and 16)
9. Options in international investing (Chapters 12, 13, & 15)
10. Swaps (Chapter 14)
Some good books for outside reading

Michael Lewis:  
   Liar’s Poker  
   The Big Short  
   (just about anything else he has written)

Andrew Ross Sorkin: Too Big To Fail

John Mauldin and Jonathan Tepper: Endgame: The End of the Debt Supercycle and how it Changes Everything (www.mauldineconomics.com generally)

Adam Fergusson: When Money dies: The Nightmare of Deficit Spending, Devaluation, and Hyperinflation in Weimar Germany

Lefevre, Edwin: Reminiscences of a Stock Operator

Anonymous with n+1: Diary of a Very Bad Year: Confessions of an Anonymous Hedge Fund Manager

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

Andy Kessler  
   Running Money: Hedge Fund Honchos, Monster Markets and My Hunt for the Big Score  
   Wall Street Meat

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