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632-01 International Finance

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**Course Materials:** Course Materials: *Multinational Business Finance*, by Eiteman, Stonehill and Moffett, published by Pearson. I will post additional materials including articles and Power Points on Canvas.

**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 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 Canvas. If you have trouble, please be sure to contact me (the earlier, the better).

**Course materials:** All course supplementary materials will be available on Canvas. **It is your responsibility to check announcements on Canvas regularly** – I will assume that everyone has access to Canvas 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:

- Currency Project: 100 points
- Exams 1 & 2: 200 points

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 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.

**Weekly updates:** Each team will present an update weekly on their currency, highlighting interest facts/market moving events.

**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). Various topics you might consider include (1) economic analysis of the country, (2) assessment of the country’s political risks, (3) investigation of country-specific factors such as location and educational level of the population that would give the country competitive advantages, (4) analysis of the business environment of the country, and (5) assessment of potential performance of foreign direct investment or portfolio investment in the country.

**Presentation:** Your presentation will be on the last day of class, December 12th. While I do not want to limit/dictate what you should talk about, the presentation should/might include *(other than the forecast, which is required):*

- An overview of the country and its economy
- Specifics regarding items of economic import for the country
- Significant events from the semester
- Your forecast for the currency in six months or a year. Are you bullish or bearish on your country and their currency. What do you think the exchange rate will be in three month and/or one year from the presentation date.
- 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, plus lots of graphs/figures 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**

- September 5 – Labor Day – no class
- October 17 – test #1
- December 5 – test #2
- December 12 – country/currency presentations

**Topic List (subject to change, probably optimistic)**

1. Introductory Matters
2. Central banks and negative government bond yields
3. Foreign exchange markets (Chapter 6)
4. International monetary system and methods of affecting exchange rates (drawn partially from Chapter 3)
5. Options in international investing (Chapter 16, in part)
6. Balance of payments (Chapter 4)
7. Parity conditions and forecasting exchange rates (Chapter 7)
8. Currency futures and possibly options (Chapter 8)
9. Economic Exposure and Political Risk – (Chapters 10 to 12, 17)
Some good books for outside reading

Liar’s Poker & The Big Short by Michael Lewis
(Just about anything by Michael Lewis is good)

Too Big to Fail by Andrew Ross Sorkin

When Genius Failed: The Rise and Fall of Long-Term Capital Management by Roger Lowenstein

Devil Take the Hindmost: A History of Financial Speculation by Edward Chancellor

Wall Street Meat by Andy Kessler

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

The Number by Lee Eisenberg

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

Reminiscences of a Stock Operator by Edwin Lefevre


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

Morgan by Jean Strouse