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FINC 632: Multinational Finance, Fall 2019
R. Stafford Johnson, Xavier University

FINC 632 is a three-hour course that examines global macroeconomics, exchange-rate determination, global financial markets, the basis of trade, trade policy, 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: Monday, 5:00-6:00

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
MODULES

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

2. 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

3. 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)

4. 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
5. 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

6. COST OF CAPITAL AND GLOBAL INVESTMENT DECISIONS

Topics
- Global Finance and the Cost of Capital
- Cost of Capital for Overseas Investments
- Accounting for Foreign Investments and Hedging
- Overseas Investment Decisions

Lecture based on Tom O’Brien, Global Finance and Investment, Chapter 5, 6, 8, 9, 10, 11, and 12.

7. Special Topics

Topics
- Global Economy in Retrospect: 1947-2017
- Global Digest
- Venezuela
- Rwanda
- 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  
• Global Economy in Retrospect: 1947-2017  
• Global Digest  
• Venezuela  
• Others TBD

Smith Center Web Articles

Tests and Assignments

Test 1: Modules 1-3  
Test 2: Modules 4 and 5  
Final: Modules 6 and 7 and problems and questions from tests 1 and 2

Assignment 1: Country and Global Area Folder and Post  
Study and monitor a country or area (e.g., Americas, Asia, Middle East and Africa, and Europe) using Bloomberg, web links, and other sources.  
• Create folder that includes inputted information (screen shots, articles, Excel data, etc.) related to international financial statistics, economist-briefings, interest rates, balance of payments, direct investments, reserves, analysts’ opinions, current news, major political development, , ETC., ETC.  
• Submit a report that includes an Excel table of the country's key economic data (gdp, inflation, unemployment, debt/GDP, international reserves, etc.) and bullets of important economic developments (check Bloomberg’s BIE and BI, web information, etc.).  
• Submit bullet report on Canvas  
• Post summary report on Canvas “Discussions”  
• Response to some of your colleagues’ posts.

Report and Post Due: TBD

Assignment 2: Currency Analysis and Positions  
• Analyze speculative positions on your country's currency using futures—ex post
• Submit a report summarizing your positions. Include graph of futures prices and table showing futures positions calculations: opening positions, closing positions, and profits or losses.
• Submit report on Canvas
• Post summary report on Canvas “Discussions”
• Response to some of your colleagues’ posts.

Report and Post Due: TBD

Assignment 3: Foreign Stock Portfolio
• Construct an equity portfolio of companies that are domiciled or have a large presence in the country or global area you have selected. The portfolio is to be constructed using Bloomberg’s PRTU screen and analyzed using Bloomberg’s PORT screen. Also, the portfolio should be loaded on CIXB.
• Submit a report of your portfolio. The report should include Bloomberg screens from PORT, MOST, GP, COMP, and HRA, and bullet points on the portfolio characteristics and performance relative to an index.
• Note: On the GP and COMP screens, analyze the portfolio's performance in USD and also local currency, so that you can explain how much of its performance is due to exchange rate changes.
• Suggestion to get started: Search for country ETF on Bloomberg's ETF Screen
• Submit report on Canvas
• Post summary report on Canvas “Discussions”
• Response to some of your colleagues’ posts.

Report Due: TBD

Assignment 4: Multinational Company Analysis
• Conduct a Bloomberg analysis of a company from your portfolio: Screens: FA, RV, CN, GP, COMP, EE, ANA; Website
• Submit a report on Canvas that includes Bloomberg screens and bullet points of the company's performance and drivers.
• Post summary report on Canvas “Discussions”
• Response to some of your colleagues’ posts.

Report Due: TBD

Grading Weights

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<tr>
<th>Assignment</th>
<th>Weight</th>
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<tr>
<td>Test 1</td>
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<td>Test 2</td>
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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-
- 49-0: D

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