

International Finance

Syllabus, Winter Quarter 2007

Instructor: Roger Loh
 Course number: Bus Fin 725M, Bus Fin 725N
 Class time: Mondays and Wednesdays 5:30-7:18 PM Schoenbaum 210
 Course Website: http://fisher.osu.edu/~loh_26/fin725.htm

Instructor Office: 606 Fisher Hall (Tel.: 292-7562)
 Email: loh_26@cob.osu.edu
 Office Hours: Wednesdays 1:30-3:30pm, or by appointment.

Course Objectives

This course applies the principles of investment analysis and financial management to the international arena. The goal is to provide a framework for making sound financial decisions in an international context. The course will also improve your understanding of how international financial market data is displayed in the media (e.g. Wall Street Journal). Finally, student should note that solving mathematical financial problems is an important part of the course. I expect questions in the homework or exam to involve calculations more than half of the time.

Three major topics are covered in this class:

- 1) Foreign Exchange Markets
- 2) Managing Foreign Exchange Exposures
- 3) International Investment Analysis

Textbook

International Financial Management (4th edition) by Cheol S. Eun, and Bruce G. Resnick
http://highered.mcgraw-hill.com/sites/0072996862/student_view0/

Lecture Notes will be made available to students during the quarter on a password protected link on the course website.

Prerequisites

BUS ADM 555 and BUS FIN 620 are the formal prerequisites for this course. Students are expected to remember the concepts taught in these prerequisite classes. BUS FIN 722 and 722 are recommended.

Grading

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| 1. Attendance | 10% |
| 2. Participation | 5% |
| 3. Project | 15% |
| 4. Homework | 10% |
| 5. Exams (midterm and final) | 30% each |

1. **Attendance** will be taken at every class. I will excuse the first two classes that you are absent without a valid reason. After that, if you are absent and did not inform me *in advance* of a valid reason, you will get a zero for that day. E.g. if a student gets a zero for 5 out of the 20 classes, his/her attendance score will be 7.5.
2. **Participation:** Students are rewarded for asking questions or giving comments during the class. Intelligent questions/comments are of course desired, but if you don't have an intelligent question, risking a question that you think could be silly will get you some participation points while keeping quiet for the entire quarter won't get you any points. Some students are naturally more talkative than others so I will try to encourage the quieter students to participate.
3. **Project:** Groups of 3-4 persons will submit a written report on any one of the following foreign exchange events:
 1. The Mexican Peso Crisis, 1994
 2. The Asian Currency Crisis, 1997
 3. The Russian Ruble Crisis, 1998
 4. Impact of the Euro, since 1999
 5. UK Pound Crisis, 1992
 6. China's revaluation of Yuan, 2005
 7. Prospects for US dollar 2007 onwards

The report should focus on the causes of the event, the impact, what happened since, and what the group expects for the future. The report should be typed (font size 12) and should not exceed four pages. Each group must be formed and must select a topic by the end of week 3. The group will present their report in class during week 10 in a 15-20 minute powerpoint presentation. I will provide more information about the project on the course website later.

4. **Homework:** There will be homework assignments given out during the course. These will consist of problem sets and direct applications of the material covered in class. These are to help you to prepare for the exams rather than to stress you.
5. **Exams:** There will be one midterm exam and one final exam. The final exam will focus on topics covered after the midterm. You are allowed to bring a calculator to the exams and I will provide some formulas in the exam so that you do not need to memorize formulas. Absence from any exam will not be excused except for the most serious reasons. Such serious circumstances must be validated in writing by an appropriately accredited professional (i.e. medical doctor).

Grading Appeals

- Objective errors (e.g., wrong addition of points) should be brought to my attention during the class when the graded work is returned.
- Appeals that are subjective (e.g., you believe that your written answer is worth 5/5 points instead of 4/5 points) must be made in writing within one week after the graded work is returned. This should be a typed letter (not an email) that describes

the questions that need to be reexamined as well as an explanation of why the original grade was incorrect. In general, the entire document will be checked for subjective grading issues, and correcting these could result in a higher or lower total score.

Accommodation

Students who request help will be given reasonable accommodation through the advice and assistance of the University Office of Disability Services.

Academic Integrity

The University's Code of Academic Integrity is designed to ensure that the principles of academic honesty and integrity are upheld. Please see: <http://oaa.osu.edu/procedures>.

Course Outline

Date	Lecture/ Week of:	Topic	Description (Chapters to read)	Take Note
Jan 3 (Wed) Week 1	Week 1	Introduction	Overview of course (Chap. 1) Review of outline and requirements	
Jan 8 (Mon)	Week 2	Foreign Exchange Markets	International monetary system (Chap. 2)	
Jan 10 (Wed)			Market for foreign exchange (Chap. 5, pg 106-122)	
Jan 15 (Mon)	Week 3		Martin Luther King Day	No Class
Jan 17 (Wed)		Purchasing power parity (Chap. 6, pg 141-149)		
Jan 22 (Mon)	Week 4		Forward market (Chap. 5, 123-127), Interest rate parity (Chap. 6, pg 132-140). Homewk1 given out.	
Jan 24 (Wed)		Interest rate parity (continued) and Exam Review	Homewk1 due	
Jan 29 (Mon)	Week 5	Mid-term exam (class time)		Mid-term
Jan 31 (Wed)		Managing Foreign Exchange Exposures	Currency futures markets (Chap. 7, pg 162-170)	
Feb 5 (Mon)	Week 6		Currency options (Chap. 7, pg 173-181). Homewk 2 given out.	
Feb 7 (Wed)		Managing transaction exposure (Chap. 8)		
Feb 12 (Mon)	Week 7	International Investment Analysis	Understanding international market indices (Chap. 13, pg 320-323, and supplementary notes)	Homewk 2 due
Feb 14 (Wed)			International equity markets (Chap. 13)	
Feb 19 (Mon)	Week 8		International bond markets (Chap. 12) . Homewk 3 given out.	
Feb 21 (Wed)		International portfolio investment (Chap. 15)		
Feb 26 (Mon)	Week 9		Foreign direct investment and political risk (Chap. 16)	Homewk 3 due
Feb 28 (Wed)		Exam review		
Mar 5 (Mon)	Week 10	Student project presentations		Project due
Mar 7 (Wed)		Student project presentations		
Mar 12 (Mon)	Week 11	Final Exam (5:30pm, SB 0210)		Final