

UNIVERSITY OF MASSACHUSETTS DARTMOUTH
Charlton College of Business
International Finance FIN 672 On -Line
A Proposed Syllabus

Trib Puri, Ph.D.

328, Charlton College of Business

Phone/Voice: 508-999-8759

tpuri@umassd.edu

COURSE: International Financial Management , FIN 672 On-Line

1. COURSE DESCRIPTION:

This course is designed for individuals seeking careers as consultants, analysts, policy makers, traders, risk managers in multinational corporations and banks, Federal Reserve, central banks, regulatory institutions and international agencies. Theory and practice of international financial management requires understanding of international financial markets, such as FOREX, euro-money, international bond and equity, and currency derivatives. A particular emphasis is placed on exchange rate, its determinants, its relation with other important variables, and the measurement and management of exchange rate risk. The course systematically develops the framework and tools to address the major decision problems encountered in a global setting by the multi-national corporations (MNCs), financial institutions, and global investors.

2. OBJECTIVES OF THE COURSE:

The main objective of this course is to understand how investors, traders, analysts, MNC's and international financial institutions manage their investment and financing needs in highly integrated and sophisticated global markets. One of the most important problems of global operations is the risk due to changing currency values. Accordingly, the understanding of exchange risk and its management are the most important concerns in the international investment and financing decisions.

- Familiarize students with the international financial environment in which a multinational corporation (MNC), investment and commercial banks, and other financial institutions operate.
- Learn the vocabulary of international finance, and key economic and financial concepts. This involves an understanding of exchange rates and its relationship with other economic variables; of exchange risk and its management.
- Learn the products of foreign exchange markets, Eurocurrency markets, currency forwards, futures, options, swaps, and international bond and equity markets.

3. SUMMARY OF TOPICS COVERED:

- International financial environment and foreign exchange risk as the main theme.
- Foreign Exchange Markets, spot, forward, futures, options, and swaps.
- Exchange rate determination and international no-arbitrage parity conditions
- International money markets and euro-banking.
- Foreign exchange exposure and exchange risk management.
- International diversification and portfolio investment.
- International Bond and equity markets

4. COMPETENCIES and CONTACT HOURS:

The student will be introduced to:

- The international financial environment in which a multinational corporation and financial institutions operate.

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The student will understand:

- foreign exchange rates and risk associated with the volatility of exchange rates 6
- International financial markets: Foreign exchange markets, Eurocurrency markets, international bond and stock markets, currency options, futures, and swaps. 9
- Currency exposure and its management by multinational companies. 6
- Short term international financing and investment decisions 6
- International Bond market and pricing of foreign and euro bonds 6

The student will be able to:

- Assess the currency exposure and devise strategies to manage it. Students will also be able to take decisions regarding short and long term financing and investment decisions 6

Total 42

5. RESOURCES:

Text: *International Financial Management*, Cheol S. Eun and Bruce G. Resnick, 4th Edition, Irwin McGraw-Hill

Supplements:

Handouts by the instructor
The Wall Street Journal
London Financial Times
The Economist

6. EVALUATION POLICY & SPECIAL INSTRUCTIONS ON ASSIGNMENTS:

Exam 1	30%
Exam 2	30%
Cases and projects on-line (TBA)	40%
Total	100%

Your grade will depend upon your cumulative performance in the above areas and your relative rank in the class.

7. SCHEDULE OF TOPICS

Lesson 1

MODULE I. International Financial Environment Management

- An overview of the course
- Growth in the international business activity and global integration. Ch.1-4
- Growth of international financial markets to finance trade and investment
- Motives for international investment and financing.
- Role of an international financial manager.

Lesson 2,3

MODULE II. Foreign Exchange Markets. Trading, Market Mechanics, FX Quotes

- International Financial Markets
Foreign Exchange Markets, Eurocurrency Markets, Ch.5 and Instructor's
Lecture notes
Organization, participants, types of transactions
Currency trading and trader's problem. FX quotes:
Spot, Forward direct and indirect, vehicle currency and cross rates,
out right rates, Forward premium and discount, Three basic activities: hedging,
speculation, and Arbitrage.

Lesson 4

MODULE III. Balance of Payments and Exchange rate Determination and International Linkages, FX forward,

- Balance of payments, current and capital accounts
- Imports, exports, capital flows and Exchange rates

Lesson 5,6

MODULE IV. Law of One Price and International Linkages

- International Arbitrage

- International Arbitrage
- Law of One Price (LOP) Ch.6 and Instructor's Lecture notes
How goods, financial and FX markets are inter-connected.
Interest rate Parity
Purchasing Power Parity
Fisher Effect
International Fisher Effect

Lesson 7,8,9

MODULE IV. Currency Derivative Markets

- Currency Futures Ch.7 and Instructor's Lecture notes
- Currency Options
- Interest Rate and Currency Swaps Ch.14 and Instructor's Lecture notes

Lesson 10,11,12

MODULE V. International Banking, Euro-money Markets, International capital markets

- International Money Markets Ch.11 and Instructor's Lecture Notes
- International Banking and Interest Rate Risk Ch.11
- International Bond and Equity Markets Ch.12-13

Lesson 13,14

MODULE VI. Foreign Exchange Exposure and Risk Management

- Transaction Exposure Ch.8 and Instructor's Lecture Notes
- Translation Exposure Ch.9 and Instructor's Lecture Notes
- Economic/operating Exposures Ch.10

Lesson 15

MODULE VII. International Investments

- International Portfolio Selection
- Pricing of foreign securities Ch.15 and Instructor's Lecture Notes