



| Course Information | |
|---|--------------------------|
| Course Title: FIN302 International Finance | Semester: Summer 2019 |
| Prerequisite | |
| Principles of Microeconomics, Principles of Macroeconomics, and Financial Management Those who have not met those prerequisites must obtain a permission from the course instructor in order to take this course. | |
| Course Description | |
| <p>This course will explore the theory and practice of international finance. This course deals with the analysis of three important and related macroeconomics issues in open economies: exchange rates, capital flows and financial crises. The objectives of the course are two-fold: to introduce and critically evaluate the main relevant economic theories, models and empirical works in these three key areas of International Finance; and to apply these analytical tools to build an understanding of relevant economic developments and policy issues in the global markets. There will be discussions of relevant current events relating to Australia, our main trading partners and the rest of the world.</p> <p>Topics on contemporary issues will be discussed and critically analyzed using the knowledge we learn in this course. Students will be encouraged to investigate some controversial issues in global trade and globalization and present their own views and possible solutions as a caring stakeholder in the global economy and socially responsible world citizen. There will be no right or wrong views in the course context. However, students are expected to demonstrate breadth and depth of their knowledge of the issues and the logic cohesion of their argument using the key concepts and theories covered in this course.</p> | |
| Learning Outcome | |
| <p>On successful completion of this course, students will be able to:</p> <ol style="list-style-type: none"> 1. Explain the organisation and institutional details of foreign exchange and international money markets. 2. Apply, at a formal level, the main neoclassical models of exchange rate determination, and assess their empirical validity. 3. Describe and apply insights provided by behavioural economics into expectations formation and decision making on the foreign exchange market. 4. Apply a heterodox macroeconomic model to exchange rate forecasting. 5. Analyse the causes of historical exchange rate movements, and some of the contributory factors to a variety of financial crises, with reference to the models covered. | |



Class Hours

Class Time: Monday to Friday, 180 minutes each day
Each week there will be a one-hour discussion session.

Learning resources

Suggested textbook:

International Financial Management, 1st Edition, Asia-Pacific Edition, Madura, J., Hoque, A., and Krishnamurti, C., 2018, Cengage, ISBN-13: 978-0170386135

Currencies, Capital Flows and Crises, John T. Harvey, Â Routledge (London and New York), 2009

Other Resources:

1. The International Financial Management, 2017, 3rd edition. By Bekaert, and Hoddrick (authors); Cambridge University Press, ISBN-13: 978-1107111820.
2. The Wall Street Journal and Forbes
3. World Finance: an online magazine on contemporary issues in global finance and trade. Source: <https://www.worldfinance.com/>

Weekly Schedule

| Week | Day | Topic |
|------|-----|---|
| 1 | 1 | Course Overview: Introduction to Basic Concepts in International Finance and Foreign Exchange Markets |
| | 2 | International Parity Relationships |
| | 3 | Neoclassical Models 1 -The Monetary Model of Floating and Fixed Exchange Rates |
| | 4 | Neoclassical Models 2 - The Mundell-Fleming Model of Fixed and Floating Exchange Rates |
| | 5 | Neoclassical Models 3 - The Dornbusch Overshooting Model of Floating Exchange Rates |
| 2 | 1 | Empirical evidence on these models and later developments |
| | 2 | Institutional and behavioural economics and decision making in the foreign exchange market |
| | 3 | Capital Flows and Exchange Rates |
| | 4 | Review of Topics |
| | 5 | Mid-Term Exam |
| 3 | 1 | Exchange Rate Modelling using a Post-Keynesian Model |
| | 2 | Expectations and Crises - theory and application |
| | 3 | Further Real World Applications - volatility in the USD over time |
| | 4 | Optimal Currency Areas, Monetary Sovereignty and the Euro-zone Experiment |
| | 5 | Review |

Final Exam



| Course Assessments | |
|---------------------|-------------|
| Assessment Task | Weight |
| Class Participation | 10% |
| Mid-Term Exam | 30% |
| Quizzes/ Case Study | 10% |
| Assignments | 10% |
| Final Exam | 40% |
| Total | 100% |

Homework, Class Attendance, and Participation

Students are required to attend all classes and participate actively. Students should treat their classroom obligations as they would treat any serious professional engagement. Your participation grade (10% of the total course grade) will be based on the instructor's assessment of how well you contribute to classroom dynamics relative to your class peers; each class member is expected and encouraged to contribute to the dialogue or discussion. It is important that you read the assigned readings as background information on the issue/topic *before* each class session. The classroom will provide you an opportunity to present your views and opinions on the topics under discussion, and to help you refine your knowledge and perspective of cross-border management based on these interactions.

Please note the following: In case of an absence, the student is responsible for the materials and assignments for that class; it is the student's responsibility to contact the course Teaching Assistant regarding absences and assignments that are missed. Students must submit a one-page write-up summarizing any assigned textbook chapter reading for each missed session; this will be due within one week of the missed session. Unexcused absence from five or more scheduled class sessions (which is a total of 33% of this course) will be *grounds for failure*. If you do have to miss class due to a personal emergency, please let the Teaching Assistant know as soon as possible. Such emergencies will be dealt with on a case-by-case basis.

Participation grades will be based on quality (in-class performance that reflects intellectual depth, insightfulness, and contribution to class learning) and quantity (consistency and regularity of performance). Quality counts more. However, one cannot make quality comments without at least some degree of participation, so in this respect quantity will have some weight. But do keep in mind the following when considering your participation in class discussions: sometimes it's better to remain silent and have others think you are unprepared or a bit dim, rather than speaking out and confirming those suspicions.

Accordingly, you are expected to come fully prepared and ready to participate for every class. Be prepared to be called upon to "open" a class discussion by presenting your full analysis and thoughts on the assigned topic at the start of class, or to be asked through a "cold call" for comment in the midst of the discussion.

The grading of class participation is necessarily a subjective exercise. However, high-quality comments have one or more of the following characteristics: **(1) insightfulness, (2) appropriate application of course concepts, and (3) advancement of the in-class discussion at hand.** Some specific criteria for evaluating discussion contributions are:



- Does the student demonstrate an eagerness to participate?
- Is the student a good listener? Does he/she build on others' comments?
 - Is the student willing to interact with other class members?
- Are the points made relevant to the discussion? Are they linked to others' comments?
- Do comments demonstrate evidence of in-depth analysis of the case?
- Do comments add to our understanding of the situation?
- Do comments make a substantive contribution to the advancement of our analysis?
- Is there a willingness to test new ideas, or are the comments "safe?"
- Do comments show an understanding of concepts or analytical techniques properly applied to the current situation?
- Is the student presenting insightful quantitative analysis (when required)?
- Is the student demonstrating ethical considerations and insights?

EXAMINATIONS

An in-class mid-term examination will be administered during the middle of Week 2, and an in-class final examination will be administered at the end of the course. Details of content, exam format, etc. will be announced in class well before the examination dates.

Upon completion of this course, you receive a final grade. A final grade is a letter grade that carries with it a numerical value, as outlined below.

| Grade | Percentage |
|-------|------------|
| A | 80-100 |
| B | 70-79 |
| C | 60-69 |
| D | 50-59 |
| E | 0-49 |

Academic Integrity

The academic ethics codes of the school are applied in this class. Any egregious violations of the code, such as cheating on examinations or submitting written work that is not original with the student, will be grounds for failure in this course. You may consult with appropriate university officials for details regarding the code.

Disability accommodation

Any student who needs special accommodation due to the impact of a disability should contact the instructor and/or the university within the first week of the class.