

**FINA 5331-002**  
**International Finance**  
SPRING 2012

**Instructor:** Dr. Aaron Smallwood

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**Course Webpage:** <http://www.uta.edu/faculty/smallwood/FINA5331.html>

**Time and Location:** April 30 - May 17; M-F 2:00 - 5:00 (pm), COBA 254.

**Office Hours:** Monday 5:00 - 6:00 (p.m.)  
Thursday 5:30 - 6:30 (p.m.)

And by appointment.

**Case Studies:**

1. "China's renminbi: Our currency, your problem?" Case Study: HKU710-PDF-ENG
2. "China: To float or not to float(C): Esquel Group and the Chinese RMB" Case Study: 706023-PDF-ENG
3. "Financial crisis in Asia: 1997-98" Case Study: 709004-PDF-ENG
4. "Parity conditions in international markets" Case Study: UV2538-PDF-ENG

**Textbook:**

*International Financial Management, 5th edition.* Eun and Resnick.

The world of international finance is ever-changing with exciting events impacting the topics on a daily basis. It should be noted that the course is very heavily skewed toward current events, and I will frequently discuss issues appearing in periodicals, such as *The Wall Street Journal*.

**Course Description and objectives:**

The course deals with issues in international macroeconomics that emerge as a result of trade in goods and services and financial assets. International transactions are often complicated by the existence of an exchange rate, the price of one country's currency relative to another. Thus the course begins with an introduction of the exchange rate market, a discussion of balance of payments, and a discussion of various exchange rate regimes. The second phase of the course includes a discussion of hedging and exchange rate risk. We will discuss how traders can use derivative assets to both hedge against risk and to speculate. Time permitting, the final phase of the course will include a discussion of theories related to exchange rate determination. By the end of the course, the successful student should be able to do each of the following:

1. The student will have mastered an understanding of the exchange rate market. In addition, the student will be able to assess the importance of this global market.
2. The student will gain a general understanding of the modern empirical theories of international finance.
3. The student will gain insight into the areas where empirical international finance and theoretical international finance sometimes differ.
4. The student will be able to access the importance of international finance and its relationship with the "real world."

**Grading:** Course grades will be based on the following:

Presentation and Participation	25% total
Exams #1-3	25% each

## I. Exams:

Exam 1: Tentatively scheduled for May 4

Exam coverage: determined by pace of the course.

Exam 2: Tentatively scheduled for May 11

Exam coverage: Again determined by the pace of the course.

Exam 3: Tentatively scheduled for May 17

Exam coverage: Again, determined by the pace of the course

## II. Group presentation and participation

As noted above, we will discuss four case studies throughout our time together. Participation is expected and you will be graded on your contribution to in class discussion.

Additionally, during the last week of the course, oral presentations will be given during class. Participation and the presentation are worth 25% of your overall grade. There will be two components to your presentation grade.

a. An individual write-up.

b. Your oral presentation within your group.

The presentations will center on controversial issues in international finance. Additional details regarding the presentations will be made available later in the first week.

**Course Outline:** Please note that the course is very dynamic and thus will be skewed heavily toward current events. Please note that topics can and will likely change and that the following may also change due to the pace of the course.

**Lecture 1 (April 30):** Exchange rate markets, the spot rate, and arbitrage.

**Lecture 2 (May 1):** Exchange rate markets (bid-ask spread, triangular arbitrage, etc). The forward market. Balance of payments.

**Lecture 3 (May 2):** The balance of payments: current account, capital account, and the role of official reserves. Balance of payments, twin deficits, and the history of monetary institutions.

**Lecture 4 (May 3):** A history of monetary institutions continued. IMF classifications of exchange rate systems. Discussion of case study #1 and case study #2

**Lecture 5 (May 4):** IMF classifications of exchange rate systems continued. The choice of an exchange rate system. **Exam #1.**

**Lecture 6 (May 7):** Return and review of exam #1. The theory of optimum currency areas. Major currency crises.

**Lecture 7 (May 8) :** Managing exchange rate risk. Introduction to derivative asset markets.

**Lecture 8 (May 9) :** Derivative asset markets. Options pricing.

**Lecture 9 (May 10) :** Interest rates and exchange rates: Covered interest rate parity, uncovered interest rate parity and market efficiency. Discussion of case study #3

**Lecture 10 (May 11) :** Theories of exchange rate determination: Purchasing power parity. **Exam #2.**

**Lecture 11 (May 14) :** Theories of exchange rate determination: The monetary model. Possible group presentations.

**Lecture 12 (May 15) :** Models of output: The IS-LM-BP model. Group presentations.

**Lecture 13 (May 16) :** Global economic issues. The role of the financial crisis. Group presentations. Discussion of case study #4

**Lecture 14 (May 17) :** Group presentations. **Final exam.**

**Drop Policy:** It is the student's responsibility to complete the course or withdraw from the course in accordance with University regulations. Students are strongly encouraged to verify their grade status before dropping a course after their first withdrawal date. A student who drops a course after the first withdrawal date may receive an "F" in the course if the student is failing at the time the course is dropped.

**Grade Grievances:** You have one calendar year from the date the grade is assigned to initiate any grievance. The normal academic channels are department chair, academic dean, and the Provost.

**Non-payment of fees policy:** Students who have not paid their fees by the census date and are dropped for non-payment cannot receive a grade for the course under any circumstances. Emergency loans are available from the Financial aid Office.

**Academic Dishonesty:** The UTA Student Handbook contains the following statement on academic dishonesty:

"It is the philosophy of The University of Texas at Arlington that academic dishonesty is a completely unacceptable mode of conduct and will not be tolerated in any form. All persons involved in academic dishonesty will be disciplined in accordance with University regulations and procedures."

"Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusions, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts." (Regents' Rules and Regulations, Part One, Chapter VI, Section 3, Subsection 3.2 Subdivision 3.22)

**Reasonable Accommodations:** Students with academic disabilities needing accommodations should make an appointment to meet with me in my office during the first week of class. I will do my best to make the necessary accommodations to insure that no student is at a disadvantage because of his/her disability.

**Bomb Threats:** Effective April 8, 1997, the College of Business Administration has adopted a policy to deal with the classroom disruption caused by bomb threats in the building. (A) Section 22.07 of the Texas Criminal Law Statutes governs terrorist threats and classifies bomb threats as Class A misdemeanors. Section 12.21 of the Texas Criminal Law Statutes states that a Class A misdemeanor is punishable by (1) a fine not to exceed \$4,000, (2) a jail term of not more than one year, or (3) both such a fine and confinement. (B) If anyone is tempted to call in a bomb threat, be aware that UTA will soon have technology to trace phone calls. (C) Every effort will be made to avoid cancellation of presentation/tests caused by bomb threats to the Business Building. Unannounced alternate sites will be available for these classes. If a student who has a class with a scheduled test or presentation arrives and the building has been closed due to a bomb threat, the student should immediately check for the alternate class site notice which will be posted on/near the main doors on the south side of the Business Building. If the bomb threat is received while class is in session, your instructor will ask you to leave the building and reconvene at another location. (D) Students who provide information leading to the successful prosecution of anyone making a bomb threat will receive one semester's free parking in the Maverick Garage across from the Business Building. UTA's Crimestoppers will provide a reward to anyone providing information leading to an arrest. To make an anonymous report, call 817-272-5245.