



International Business in China

ECON371/FINC370 : *International Money and Finance*

Course Description

This course attempts to familiarize students with basic theories of international money and finance. Apart from the standard topics (exchange rate equilibrium theory, exchange rate risk management, international financial management) that are covered in an international finance course in the U.S., we will also emphasize major policy issues in China when the country is integrating into the global financial system. Topics to be discussed include Chinese exchange rate regimes and policies, the development of Chinese capital market, China's foreign exchange reserve management, and global capital flow and foreign investment in China.

Course Schedule

Session 01/14 Introduction: multinational financial management

Readings:

ER Chapter 1, 11, 15

Assignments:

- Globalization and international financial management
- International banking and money market
- International monetary system and its evolution
- Fixed vs flexible exchange rate regimes

Session 02 and 03/14 Foreign exchange markets

Readings:

ER Chapter 5

Assignments:

- Function and structure of the foreign exchange market
- The spot and forward markets
- Quotation methods
- Cross-exchange rate and triangular arbitrage
- The bid-ask spread

Session 04 and 05/14 **International parity relationships and forecasting foreign exchange rates**

Readings:

ER Chapter 6

Assignments:

- Interest rate parity (IRP)
 - IRP and arbitrage
 - Purchasing power parity (PPP)
 - The Fisher effects (FE)
 - Forecasting exchange rates
-

Session 06 and 07/14 **Futures and options on foreign exchange**

Readings:

ER Chapter 7

Assignments:

- Currency futures markets
 - Basic currency futures relationships
 - Eurodollar interest rate futures contracts
 - Currency options markets
 - European and American options
 - European option pricing relationships
-

Session 08/14 **Midterm Exam**

Session 09 and 10/14 **Management of transaction exposure**

Readings:

ER Chapter 8

Assignments:

- Forward market hedge
 - Money market hedge
 - Options market hedge
 - Cross-hedging minor currency exposure
 - Hedging contingent exposure
 - Hedging recurrent exposure with swap contracts
-

Session 11/14 **RMB regimes**

Readings:

Reading being distributed in the reading packet

Assignments:

- The evolution of RMB exchange rate regime
- The debate on RMB exchange rate regime
- The future of RMB exchange rate regime
- Internationalization of RMB

Session 12/14 China economy and capital market

Readings:

Reading being distributed in the reading packet

Assignments:

- Foreign capital investment in China's economy
- Foreign capital investment in China's capital market
- China's investment in overseas markets

Session 13/14 Class Presentations

Session 14/14 Final Exam

Course Materials

Eun, Cheol S. and Bruce G. Resnick, International Financial Management, McGraw Hill, 5th ed. 2008. (ER, Required and main textbook.)

There will be other readings in the reading packet. In the case of any additional readings on top of these, they will be distributed at least one week ahead of time.

Evaluation

Participation and Discussion	15%
Homework Assignments	15%
Presentation	25%
Midterm Exam	15%
Final Exam/Paper	30%

Assessment Criteria

Participation and Discussion

Students are expected to show up for the class. Discussion articles will be distributed one week ahead and I teach under the assumption that you have read the articles. Active class participation is an important factor in judging students' course performance. Questions will be raised during class and students are encouraged to actively participate in class discussions.

Homework

Students will be asked to complete assigned questions. The materials in the homework will have a high correlation with the contents of the midterm and final exams. Group discussions on assignments are encouraged, but copy is not permitted. Only paper copy is accepted.

Common Gmail Account for Homework Distributions

Given possible problems in the email communications between students' college email accounts and the instructor's SHUFE account, the instructor sets up a common Gmail account for distributing homework. All homework will be emailed to this account for students.

Gmail account address: imf_alliance@gmail.com

Password: TBA

Presentations

There will be presentation sessions, all of which are related to topics presented in the class. Topics for presentations will be given at least two weeks prior to the actual presentation. Each presentation will be followed by feedbacks from the instructor (10%) and other students (10%).

Presentation topics¹

- Global financial markets
- Financial markets crisis
- Debate on China's exchange rate policy
- China's investment in overseas markets

Midterm exam and final exam

There will be an exam covering most of the textbook material in the course. They will be in-class exams and a scientific/business calculator is required for the exams. Calculator-sharing is not permitted in exams.

¹ The specific presentation topics and time arrangement of presentations will be announced in the week when the students' final decisions on class-taking are made.

Grading

Alliance programs utilize the follow standard grading policy well accepted by most US institutions.

Excellent	A	93-100%	Good	B+	87-89%	Acceptable	C+	77-79%
	A-	90-92%		B	83-86%		C	73-76%
				B-	80-82%		C-	70-72%
						Unsatisfactory	D+	67-69%
							D	63-66%
							D-	60-62%
						Failing	F	<60%

Course Policies

Exams and Assignments

Students are required to take all regularly scheduled exams in courses for which they are registered, and to submit all assignments on time. Any compelling academic, personal, or medical reason that might justify a rescheduled exam or assignment must be brought up to the Resident Director, not program faculty. Failure to take scheduled exams or submit the requisite assignments for a course will adversely affect your grade as per the stated grading criteria for each course.

Classroom Conduct

Student punctuality is extremely important in China and India. Please do not be late for classes or other activities, as it is considered impolite to do so. It is improper to eat in class, to engage in other activities such as texting, or to slump or nap. Students are expected to be alert and engaged as a sign of respect for their professors.

Attendance

Class attendance is mandatory. It is essential that the students participate fully in the coursework and all required academic activities. Authorized absences may only be approved by the Resident Director, and students are expected to make up any missed work. Unauthorized absences will adversely affect a student's grades.