CIEE Lisbon, Portugal

Course title: International Finance
Course code: (GI) BUSI 3001 LIPO
Programs offering course: Summer in Lisbon
Language of instruction: English
U.S. semester credits: 3
Contact hours: 45
Term: Summer Session II 2020

Course Description

This course provides students with an overview of the dynamics of the global financial and international monetary systems. Students develop knowledge of the fundamental concepts needed to understand foreign direct investment, financial flows, international trade and investment deals. As political risk and economic exposure to global events have become more immediate, special attention will be given to the 2007-2012 world banking crisis, the role of central banks in the stabilization of national economies, national debts, and the specific economic challenges to which individual countries have been exposed in varying ways. Alternative views and policy measures to help struggling economies overcome the economic and financial crisis ? like contracting (or expanding) government spending ? will be assessed and critically analyzed.

Learning Objectives

By completing this course, students will:

- Critically analyze financial concepts and their application to the very intricate web of international economic and financial transactions.
- Discuss the determinants of international financial transactions and their consequences in the present-world economic and financial order.
- Explain the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- Read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
Apply these indicators and criteria to financial decisions taken within multinational corporations for effective governance.

Course Prerequisites

Previous coursework in the equivalent of microeconomics or macroeconomics or international economics or international business is recommended.

Methods of Instruction

The course will be highly interactive between the instructor and the students. Students are expected to do the required readings before class so they can discuss the material among themselves and with the instructor. Power Point presentations and short video clips will be used by the instructor to introduce the material required. Students are expected to prepare questions based on their reading and interact thoughtfully in class, during business visits, and with guest speakers. The list of online references at the end of the syllabus includes web sites on financial information that should be consulted daily during the course, as finance is a dynamic and changing discipline that needs constant updating. Therefore, students will be responsible for checking selected web sites daily for in-class discussions.

Assessment and Final Grade

1. Written Assignments 30%
2. In-Class Presentation 15%
3. Midterm Exam 15%
4. Final Proposal 20%
5. Participation 20%

TOTAL 100%

Course Requirements

Written Assignments

Students are expected to write three summary papers. These should be 750 words in length (font 12) and should include brief summaries of visits to local companies that are international in scope. An example would be a visit with the local branch manager
of a large, internationally active bank to understand the financial management styles of the country of study and how they differ with US styles. Papers should be written in APA citation style to reference your resources.

In-Class Presentation

Students will organize in teams of 2 to 4 people. Each team will choose a topic on international finance, which the instructor will give to the students on the first day of class, as case studies. The presentation should be in PowerPoint format and each group participant will present a part of the presentation, although all members should be familiar with the whole topic. The presentation should not last more than 7 minutes and will be followed by a Q&A session. Of utmost importance is to give examples and illustrate them with real-life financial examples.

Midterm Exam

A mid-term essay exam, comprising of two essay questions, will be administered at the end of Week 3. The materials in the test will include information from lectures, case studies, guest speakers, business visits, readings, video clips, etc. The test will be open book, so students are asked to bring all of their relevant notes and materials on the day of the test. Students will complete this exam through Canvas and must have their laptops fully functional for the exam.

Final Proposal

Choose a multinational company that is not currently present in the region. Develop an “in-house” proposal that will suggest whether (and how) your multinational should enter the local market. Your written proposal should comprise of at least three sections: a) Financial analysis of investment decision b) Risk analysis (including risk mitigation recommendation) c) Liability considerations and financing alternatives. Your written proposal should be 1500 words in length. You will pitch the key positions in your proposal on the final day of class. Your pitch should be five minutes or less and should be accompanied by compelling graphic representations of your positions using PowerPoint.

Participation
Participation is valued as meaningful contribution in the digital and tangible classroom, utilizing the resources and materials presented to students as part of the course. Meaningful contribution requires students to be prepared in advance of each class session and to have regular attendance. Students must clearly demonstrate they have engaged with the materials as directed, for example, through classroom discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities.

**Attendance**

Regular class attendance is required throughout the program, and all absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for short-term programs, absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be present at the appointed time.

Absences will lead to the following penalties:
N.B. Course schedule is subject to change due to study tours, excursions, or local holidays. Final schedules will be included in the final syllabus provided to students on site.

**Weekly Schedule**

**Week 1**

**Class 1.1** Orientation Week / Introduction to International Finance

The introductory lecture will give an initial overview of the principal subjects of the field, such as the monetary systems of the world, trends in international banking, the determination of exchange rates, foreign direct investment, balance of payments, purchasing power parity, etc. Students will also be informed about the concept of the course and details of the grade requirements.

**Class 1.2** Terms of International Finance and International Finance in Context

Important terminology used in international finance will be discussed in relation to local contexts in this class. Special attention will be placed on the host country and its form(s) of corporate governance.

The Global Financial Crisis, Bank for International Settlements, 79th Annual Report, June 2009, Timeline of Events, Pages 18, 19
http://www.bis.org/publ/arpdf/ar2009e2.pdf


Week 2

Class 2.1 International Finance Markets (1)

This class will focus on the balance of payments as a record of international money flows and the international financial markets, the crux of this course.

Mandura International Financial Management, 2014, Chapter 2

Class International Finance Markets (2)

2.2

We will cover the international foreign exchange markets, money and credit markets, as well as bond and stock markets, in the context of international business financing and portfolio investment.

Mandura International Financial Management, 2014, Chapter 3

Thomson Reuters: MarketPsych: Sentiment Data in the Foreign Exchange Markets.


Assignment due: Written Assignment I – Summary Paper

Class 2.3 Foreign Exchange Markets: Introduction
During this class students will learn the fundamentals of foreign exchange markets: from the record of the economic transactions between the residents of the country and the rest of the world in a particular period (the balance of payments), to the most critical notions about financial assets and currencies. Students will learn more about the host country economic, political, and social context and relate it to the stability or instability of the host country markets.

Mandura International Financial Management, 2014, Chapter 4

Assignment due: Written Assignment II – Summary Paper

Class Hedging Instruments

2.4

This class will critique the uses of hedging instruments such as interest rate swaps.

Economist: Watching the wages.
http://www.economist.com/news/europe/21614178-germanys-economy-stuttersezid=295&ah=0bca374e65f2354d553956ea65f756e0

Week 3

Class 3.1 Visit to Local Business

Students will continue to analyze foreign exchange markets while visiting a local business engaged with international financial transactions.

Mandura International Financial Management, 2014, Chapter 5, pages 137-144

Class 3.2 Foreign Exchange Markets: The Valuation of Shares

The valuation of foreign shares and the factors affecting the equilibrium exchange rates will be covered, with an introduction to currency derivatives.
Mandura International Financial Management, 2014, Chapter 6

Midterm exam

Class 3.3 Financial Risk Management (1)

This lecture will focus on financial risk management. Students will discuss hedging strategies against risk exposure, the attempts at forecasting exchange rates and Forex in the context of international trade, and managing monetary and financial exchanges.

Mandura International Financial Management, 2014, Chapter 9

In-Class Case Study Presentation (last 40 minutes of class)

Class 3.4 Review: An Ethical Viewpoint

An integral review of all information given during the course will be summarized and put into context.

Mandura International Financial Management, 2014, Chapter 16

Week 4

Class Financial Risk Management (2)

4.1

In this class students will further consider why managing exposure to financial risk is so important in handling the monetary and financial exchanges discussed in the previous session. This will be accomplished utilizing a local case study in addition to drawing on case studies introduced in student presentations.

International New York Times: Clouds Seen in Regulators’s Crystal Ball for Banks:


Class 4.2 Site Visit to FX Trading Company
Students will visit a foreign exchange (FX) trading company and be
given an overview of FX strategies at the company being visited and
how they are used to manage risk and currencies flows in and out of the
host country.

Assignment due: Written Assignment III – Summary Paper

Class 4.3  Measuring Exposure to Exchange Rate Fluctuations: Long-term Assets

This week students will become acquainted with the strategic decisions
regarding short- and long-term investments, both in terms of portfolio as
well as foreign direct investments.

Mandura International Financial Management, 2014, Chapter 10

Class 4.4  Measuring Exposure to Exchange Rate Fluctuations: Liability
Management

The debt maturity decision and the fixed versus floating rate decision
will be covered.

Mandura International Financial Management, 2014, Chapter 15

Assignment Due: Final Proposal

Course Materials

Readings

Grath, A., The Handbook of International Trade and Finance, Philadelphia, PA,
Koganpage Publishers, 2013

Krugman, P., Obstfeld, M., Melitz, M., International Economics: Theory and Policy,
Pearson Addison-Wesley, 2011

Online Resources

Online articles:

   http://www.bis.org/publ/arpdf/ar2009e2.pdf


For international finance, a myriad of websites to consult and get data are available. The main and most influential include:


