

Instructor: Professor Angela NG  
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Office hours: Tuesday, 4:30-6:00pm or by appointment

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Office hours: Monday & Wednesday, 5:00-6:00pm, Room 3315 (Lifts 17-18)

Course website: <http://webct.ust.hk>  
Lectures: Tuesday & Thursday, 1:30-2:50pm (L1) / 3:00-4:20pm (L2)

### Course Description


This course provides a rigorous introduction to the fundamental principles of international financial management and investment. The main focus of the course is on foreign exchange and international capital markets. To this end, we develop the theories and quantitative tools that are necessary for global asset management and investment.

The course is organized into three parts. We begin with an introduction to the global financial environment and several important international macroeconomic concepts. Next we study the core of the material on foreign exchange. Topics to be discussed include foreign exchange and Eurocurrency markets, international parity propositions, currency risk exposure and hedging. Finally, we focus on international portfolio investment strategies and hedging of exchange rate risk in international portfolios. Topics receiving considerable attention in the current media such as the Asian currency crisis will be discussed during the semester.





Prerequisites for this course are FINA 111, Financial Management and FINA 221, Investment Analysis and Portfolio Management, or equivalent.

### Textbook

*Essentials of Global Finance*, by Michael Moffett, Arthur Stonehill, and David Eiteman, 2<sup>nd</sup> edition, Addison Wesley.

 Please note that the original version of the book is called "*Fundamentals of Multinational Finance*" which is the same as the international edition as named above.

### Reference Books

-  *Multinational Finance*, by Kirt C. Butler, Most recent edition, South-Western College Publishing.
-  *Multinational Financial Management*, by Alan C. Shapiro, Most recent edition, Prentice Hall.
-  *International Investments*, by Bruno Solnik, Most recent edition, Addison-Wesley Publishing Company.
-  Sources for Current Issues: *Asian Wall Street Journal*, *Wall Street Journal*, *Financial Times*, *The Economist*, *Fortune*, *Forbes*, *Far Eastern Economic Review*, etc.

## Grading

The grade for this course will be based on performance on the problem sets, a group project, a quiz, and a final exam as follows:

★ Problem sets	15%
★ Group project & presentation	20%
★ Quiz	20%
★ Final exam	45%

## Problem Sets

- Three problem sets will be assigned during the semester. These exercises are meant to ensure that you understand the materials taught in class and will be very helpful for the final exam.
- You are encouraged to work with other students but are required to hand in your own write-up solutions individually.
- I will collect the problem sets in class on due dates. Late assignments will be penalized.
  - ☒ - 10 points for one-day delay
  - ☒ - 25 points for two-day delay
  - ☒ - 50 points for three-day delay

## Group Project & Presentation

- The objective of the group project is for everyone to become familiar with foreign exchange rates and the materials covered in the course.
- Groups of 4-5 people must be formed, with a total of 10 groups in each section. *You must form group with students in the same section.* Please inform the TA of your group members by **February 8.**
- You are expected to work closely with your group members for the project and presentation. All group members will receive the same grade for their work. It is, therefore, very important that all members contribute equally to the project.
- I do not want “free riders” within a group. Every group member should participate equally to the project. If “free ridership” occurs, you should *first* try to resolve the problem yourselves; and if this does not help, the *entire* group should schedule a meeting with me to discuss the issue.
- Practical information:
  - 🔔 Each group will be given a different research topic to work on. All topics will be related to the course materials.
  - 🔔 Each group will conduct a 15-minute group presentation to the class, followed by a 10-minute Q&A session. Each group member must take equal part in the presentation.
  - 🔔 The specific topic will be announced 2-3 weeks prior to the presentation.
  - 🔔 Students must submit the presentation materials (e.g. in PowerPoint format) to the TA at least two days prior to their group presentation.
  - 🔔 Additional information will be provided as the course progresses.
- Grading:

☆ Instructor's evaluation	10%
☆ Peers' evaluation	5%
☆ Q&A participation	5%
<u>Total</u>	<u>20%</u>

## Quiz & Final Exam

- The in-class quiz is scheduled for **April 11**, Tuesday. You *must* attend the quiz in your own section. The quiz will obtain multiple choice questions only and will cover all the topics that are discussed in class.
- The final exam is cumulative and will cover the entire course. The exam will consist of quantitative problems and short essays.
- Unless I indicate otherwise, everything discussed in class may appear in the quiz and exam.
- You are allowed to bring in a silent battery operated calculator to the exams. Use of mobile phone as a means of calculator is prohibited.
- I do not give makeup exams as it is impossible to make an equivalent exam without placing the student at either an advantage or disadvantage.
- Absence from the exams will not be excused, except for serious medical reasons with doctor's letter provided within one week of the exam.

## Class Participation

- You are encouraged to ask questions and to generate discussions in class. I will also from time to time call on you during class. The purpose is to make sure that you understand in class and to get some feedbacks on the pace of the lecture.
- Even though class participation does not enter into the grade formula, a student whose overall performance is on the margin between two letter grades may have his/her grade adjusted based on class participation.

## **Outside-Classroom Help**

All course materials will be posted on the online supplement WebCT. There is a *Forum* section on WebCT. Most questions can be asked and answered in the *Forum*. It is highly likely that your question is the same question that a number of students have. The *Forum* makes it possible to share your questions and solutions to the rest of the class to enhance everyone's learning experience.

The TA, Wang Zhen will hold office hours on Monday and Wednesday afternoons. You are also welcome to send me emails with questions. If you choose to use email as a mean of communication, I will answer your questions in the *Forum* on WebCT, and you can reserve the right to have your identity kept confidential. If you need to talk to me in person, you can drop by my office during office hours or you can send me an email or call me to schedule an office visit.

## **Other Important Policies/Notes**

### 1. Name card (Bonus!)

I would like to get to know each one of you, or at least, learn your names by the end of the semester. I, therefore, need your help to turn in a name card with your recent photo. This is, of course, an optional exercise, but you will receive some bonus points in your final grade if you hand in one. You will get *one* extra point in your total score if you turn in the name card *with a picture* by **February 14**; but you will receive only  $\frac{1}{2}$  bonus point if you hand in the card *without* a picture or if you turn in the name card after February 14. The blank name cards will be distributed to you and will also be available in the Finance Department office in Room 2413 during the first two weeks of the semester.

### 2. Important dates

February 2	Decision Day – All students must attend the first class!
February 8	Email your group member list to TA (zwang@ust.hk)
February 9	Lottery Day – Group representatives must attend this class!
February 14	Turn in your name card with a recent picture
April 11	Quiz

### 3. Classroom conduct

- (a) Both you and I will arrive at class on time. Late arrivals disrupt the class.
- (b) We will treat each other and our fellow classmates with respect.
- (c) You will not talk in class except as part of class activities/discussion.
- (d) All mobile phones and pagers must be turned off while in class. If you happen to forget to turn off your phone before class, you must do so as soon as possible or when it rings *without* answering the call.

### 4. Grading policy

- (a) I recognize that sometimes I or the TA may grade a question incorrectly. If this occurs, you must first notify the TA during the same week that the assignment or exam is returned back to you.
- (b) I personally am glad to regrade any assignment or exam. However, you must provide a *written* statement as to where and why there is a problem. Importantly, the entire assignment or exam will be regraded. As a result, the revised score may increase, remain unchanged or decrease.

## 5. Cheating

- (a) I have a *zero tolerance* policy for cheating of any kind. If you cheat, you will fail the course and may face further disciplinary actions.
- (b) Cheating occurs when you
  - ~ look at lecture notes, unauthorized materials, or other students' papers during an exam;
  - ~ obtain help from faculty or students outside your own group on homework assignments;
  - or
  - ~ help another student to cheat.
- (c) Plagiarizing is considered as a form of cheating. Plagiarism occurs when you copy a large portion of someone's material/work without referencing it.

## **Class Schedule**

Topic 1:	Introduction to Global Finance	Feb 2
Topic 2:	Foreign Exchange Markets	Feb 7·9·14·16
Topic 3:	Balance of Payments	Feb 21·23
Topic 4:	International Monetary Systems	Feb 28 · Mar 2·7
Topic 5:	International Parity Conditions	Mar 9·14·16
Topic 6:	Exchange Rate Forecasting	Mar 21·23
Topic 7:	Currency Derivatives	Mar 28·30 · Apr 4·6
Topic 8:	Currency Risk Exposure	Apr 20·25·27
Topic 9:	International Money, Bond and Equity Markets	May 2·4
Topic 10:	International Portfolio Investment	May 9·11

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More topics if time allows