

**Course:** FINA 690W Foreign Exchange Market  
**Instructor:** Professor Yiuman TSE  
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**Venue:** L1: 2464 (Lift 25-26)/Sat Central/Thu  
 L2: 2465 (Lift 25-26)/Sat Central/Wed

The course covers foreign exchange cash and derivatives markets and instruments - spot, outright forwards, swaps, and futures. It also addresses arbitrage in currency and capital markets, and international parity conditions, dealings with forex risk in corporate finance and efficient portfolio construction, and creating and back-testing foreign exchange forecasting models.

### Textbooks

Multinational Business Finance (2007) by Eiteman, Stonehill, and Moffett (Pearson, Addison Wesley) most recent edition (required)  
 International Financial Management (2008) by Bekaert and Hodrick (Pearson, Prentice Hall)

### References

International Investments (2004) by Solnik and McLeavey (Pearson/Addison Wesley)  
 Multinational Financial Management by Shapiro (Wiley)  
 Exchange-Rate Determination (2003) by Rosenberg (McGraw Hill)  
 Day Trading the Currency Market (2006) by Lien (Wiley)  
 The Microstructure Approach to Exchange Rates (1999) by Lyons (MIT Press)  
 Technical Analysis of the Currency Market (2006) by Schlossberg (Wiley)  
 The Economics of Exchange Rates (2006) by Sarno and Taylor (Cambridge)  
 Wall Street Journal, Economist, Businessweek, Financial Times, Bloomberg Markets

### Class Schedules (Subject to Change)

L1	L2
10 July to 2 August, 2008	9 July to 2 August, 2008
Thu 7:00 pm - 10:20 pm at Central	Wed 7:00 pm – 10:20 at Central
Sat 9:00 am - 12:20 pm at HKUST	Sat 2:30 am – 5:50 pm at HKUST

### Office Hours

Wed and Thursday 6:30 to 7:00 pm at Central and by appointment

### Grade

Exam (2 August 9:00 am to 12:00 noon)	.80
Others (Quizzes, Homework, Class participation, etc.)	.20

### Tentative Course Outlines

- |    |     |   |     |             |
|----|-----|---|-----|-------------|
| I. | Thu | July10 (L1)   | Wed | July 9 (L2) |
|    | a.  | Forex trading infrastructure, role of brokers and dealers, impact of electronic trading |     |             |
|    | b.  | Introduction to international monetary system and monetary policy                       |     |             |
|    | c.  | A roadmap to exchange rate determination  |     |             |
|    |     | Quiz 1 (will not be counted)  |     |             |

- II. Sat July 12 morning (L1) Sat July 12 afternoon (L2)  
a. Exchange rate system  
b. Factors that influence foreign exchange rate  
Quiz 2
- III. Thu July 17 (L1) Wed July 16 (L2)  
a. Real exchange rate and Purchasing power parity  
b. Currency Crises  
c. Forex arbitrage, synthetic contracts and international parity conditions  
Quiz 3
- IV. Sat July 19 morning (L1) Sat July 19 afternoon (L2)  
a. Currency derivatives: futures, options, and swaps  
b. Empirical tests of forex market efficiency  
c. Exchange rate risk management: managing transaction and economic exposures to exchange rate  
Quiz 4
- V. Thu July 24 (L1) Wed July 23 afternoon (L2)  
a. Modeling exchange rates and methods for exchange rate forecasting  
b. Technical and fundamental strategies in forex  
Quiz 5
- VI. Sat July 26 morning (L1) Sat July 25 afternoon (L2)  
a. International asset pricing  
b. International portfolio theory and diversification  
Quiz 6
- VII. Thu July 31 (L1) Wed July 30 (L2)  
a. Market microstructure of foreign exchange market  
b. Conclusions and Review  
Quiz 7 (pending)
- VIII. Sat Aug 2 morning (L1 and L2)  
**Final Exam**