



INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
ECONOMICS SCHOOL

SYLLABUS

I. GENERAL INFORMATION

Title	:	International Finance
Code	:	INBU 8170
Credit	:	3
Academic term	:	
Professor	:	
Office hour	:	
Phone number	:	
Mail address	:	

II. COURSE DESCRIPTION

Analysis of the international financial environment. Review of financial risk inherent to international businesses. Description of problems when implementing corporate financial principles in other countries and of the financial aspects of the relationship between main and subsidiary company.

III. OBJECTIVES

1. Discuss the open-macroeconomics issues related to international business and Finances.
2. Analyze balance of payments accounting.
3. Discuss the recent theoretical and empirical research of open-macroeconomics with applications to international business finances.
4. Discuss how various international monetary systems work
5. Discuss the financial risk inherent to international businesses.
6. Discuss the recent theoretical and empirical research with respect to arbitrage, hedging and speculation.
7. Discuss the recent empirical research with respect to international financing and investment.
8. Discuss the relationship between related companies with respect to financial issues.

9. Discuss the recent empirical research with respect to related companies.
10. Discuss foreign direct investment (FDI) implication to related companies investments.

IV. CONTENT

1. Introduction to open-macroeconomics and international finance.
 - 1.1 Trade balance.
 - 1.2 Different monetary systems.
 - 1.3 International finance environment.
2. Financial risk.
 - 2.1 Arbitrage.
 - a. Currency arbitrage.
 - b. Interest arbitrage.
 - c. Extensions.
 - 2.2 Hedging.
 - a. Hedging exposure to foreign exchange risk (FER).
 - b. Financial and operational hedging of exposure to FER.
 - c. Hedge ratio.
 - 2.3 Speculation.
 - a. Spot and derivative markets.
 - b. Buy and sell signals.
3. International financing and investment.
 - a. Short term financing and investment.
 - b. Long-term capital structure and cost of capital.
 - c. Portfolio investment.
4. Foreign direct investment (FDI).

V. ACTIVITIES

1. Students should read the material before the discussion in class.
2. Students are required to search for some topics, literature, and financial practices in the internet to select their research questions that are part of the evaluation.
3. Presentations of the selected topics in class individually or in small groups.

VI. EVALUATION

Evaluation	Description	Points	Percentage of total evaluation
Required research topic*	Literature review of a topic selected by the professor.	100	40%
A free-choice topic*	Selected by the student and subject to the professor approval.	100	40%
Presentation	Presentation (in groups) of the class topics	25	10%
Participation	Class participation and feedback to groups presentation	25	10%
Total		250	100%

*The research topics should be analyzed in a critical manner with appropriate references. Also, should satisfy the course objectives. The minimum acceptable work is 3,000 words and the maximum not to exceed 5,000 words. APA style is required.

Any inconvenience or any condition that will not enable a student to take one of the required evaluations should be discussed with the instructor before the date of the evaluation.

VII. SPECIAL NOTES**Auxiliary Services or Special Needs Services**

Students that require special auxiliary services or special assistance must visit the office of Mr. José Rodríguez, at the University Orientation Program located at the first floor of Harris Building, at the beginning of the course or as soon as the knowledge for the need of such services is acquired.

Honesty, Fraud, and plagiarism Student General Regulation, Chapter 5

The lack of honesty, fraud, plagiarism and any other inappropriate behavior in relation to the academic work constitute major infringement sanctioned under the Student General Regulation. Major infractions, as provided by the regulation under student infringements can have as a result the suspension of the University for a defined period of time greater than a year or permanent expulsion from the University, among other sanctions.

Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

V111. EDUCATIONAL RESOURCES

Recommended references:

Paul Krugman and Maurice Obstfeld (2010), *International Economics. Theory and Policy*, 7th ed., Addison-Wesley:

Maurice Obstfeld (2012), *Does the Current Account Still Matter?*
<http://elsa.berkeley.edu/~obstfeld/Ely%20lecture.pdf>

Maurice Obstfeld (Feb, 2012), *Understanding past and future financial crises*,
<http://www.voxeu.org/index.php?q=node/7587#1>

Maurice Obstfeld (Jan, 2012) *Gross Financial Flows, Global Imbalances, and Crises*, RBI Monthly Bulletin, <http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/02LBL100112.pdf>

Maurice Obstfeld (Nov, 2011) **The International Monetary System: Living with Asymmetry**,
<http://elsa.berkeley.edu/~obstfeld/The%20International%20Monetary%20System.pdf>

IX. BIBLIOGRAFY

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- Obstfeld, Maurice and Kenneth Rogoff, “The Six Major Puzzles in International Macroeconomics: Is there a Common Cause”, NBER WP 7777, July, 2000.
- Imad A. Moosa (2003), *International Financial Operations*, Palgrave, Macmillan, ISBN: 0-333-99859-6
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- Lucio Sarno, “Toward a new Paradigm in Open Macroeconomy Modeling: Where do we Stand? ” Federal Reserve bank of St. Louis, May-June, 2001
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- Tornell, Aaron, and Philip Lane, “Are windfalls a curse? A Non-Representative Agent Model of the Current Account,” *Journal of International Economics*, Vol. 44 (1998), pp: 83-112.
- Svensson, L., and A. Razin, “The Terms of Trade and the Current Account: The Harberger-Laursen-Metler Effect,” *Journal of Political Economy*, Vol. 91 (1983), pp. 97-125.

- Obstfeld, Maurice, (2002), "Exchange Rates and Adjustment: Perspective from the New Open Economy Macroeconomics," NBER WP 9118.
- *Puerto Rico Planning Board, Balance of Payments; Recent Issues.
- Olivier Blanchard and Francesco Giavazzi, 2005. "The U.S. Current Account, the Dollar, the Euro and the Yen, NBER (I'll email you the paper)
- Frommel, Michael, Ronald MacDonald and Lukas Menkhoff, 2005. "Markov switching regimes in a monetary exchange rate model," *Economic Modeling*, Volume 22, June 22, Issue 3, pp. 485-502.
- Nelson Mark, 2001, *International Macroeconomics and Finance* (Blackwee) Chapter 3.
- Bacchetta, Philippe and Eric van Wincoop (2000) "Does Exchange-Rate Stability Increase Trade and Welfare? *American Economic Review* 90, 1093-1109.
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