

# International Financial Economy

October 2013

MScFMI

## Introduction



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## Four main Objectives:

- ☞ 1. Grasping the new challenges of **financial “globalization”** : global integration of capital markets worldwide (BOP, spill-over, volatility?)
- ☞ 2. Analyzing the institutional structure of **financial markets** (regulation, governance, banking capitalization?)
- ☞ 3. **Identifying** the key sources of international finance **information and economic intelligence**
- ☞ 4. Understanding the role of **IFIs** in regulating the global financial system (IMF? BIS? OECD? MDBs?)



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## International Finance Course

- ☞ † *What we shall not do:* learning a few techniques and using tools just for the sake of making abstract calculations nor tackling academic theories just for the sake of writing a research paper.
- ☞ † **Keep a close eye on the markets (daily!)**
- ☞ † Each class will start with a 15 minute presentation of “**international finance hot spots**”. A group of 5 students will deliver a brief presentation of the key features of IF breaking news
- ☞ Enhanced participation is strongly encouraged!

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## Oral presentations: **what’s hot?** rooted in daily reviews of IF current events

- ☞ Why is the US Fed holding its \$85 billion monthly asset purchase program?
- ☞ Impact of QE expected tapering on EMCs?
- ☞ Policy target difference ECB and FED’s QE3?
- ☞ FED stimulus policy’s impact on US national debt = higher US Treasury yields and lower dollar?
- ☞ Currency crisis in major EMCs (India, Indonesia, Brazil)
- ☞ China’s attempts to control the Yuan appreciation
- ☞ European Financial Stability Facility bail-out scheme: upcoming bond issue?
- ☞ Annual meeting of the IMF and the WB!

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## International Finance Course

8 Groups: Each group of 5 students will also work on preparing a IF **research report**, to be **introduced** after the hot spot discussion, and to be briefly **presented** during the last session (PowerPoint presentation)

Website: [www.developingfinance.org](http://www.developingfinance.org)

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## Course organization and unfolding

Tuesday Oct 8	Friday Oct 11	Monday Oct 14	Friday Oct 16
<b>SESSION 1</b> Introduction QUIZ	<b>SESSION 3</b> Group 1 BOP Capital Account Financing Flows Vietnam's FDI	<b>SESSION 2</b> Group 3 FX Rate Management Euromarkets	<b>SESSION 7</b> Group 5 IFIs IMF & WB
<b>SESSION 2</b> Intro BOP Current Account Adjustment	<b>SESSION 4</b> G2 Liquidity/Solvency Debt Analysis	<b>SESSION 4</b> G4 IMS \$ £ €	<b>SESSION 6</b> G6 BIS Basel I, II & III

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## Course organization and unfolding

Friday Oct 18		
<b>SESSION 9</b> Group 7 Eurobonds		
<b>SESSION 10</b> Group 8 Brief presentation of IF Reports		

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## International Finance Research Topics

1. Financial sector reform in China
2. Norway's Sovereign Wealth Fund management ?
3. Investment fund strategies in emerging markets
4. US Fed's monetary policy: QE3
5. ECB vs. Fed
6. ECB and the €
7. Citigroup's global strategy
8. Indonesia and the rupee crisis
9. Exchange rate management of the RMB
10. European sovereign debt crisis
11. The IIF: banking over-regulation could strain cost of credit

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## IF Research topics ?

- ☞ Sovereign wealth funds
- ☞ Global strategy of HSBC, Citigroup, SocGen, BNP, Warren Buffet, Soros...
- ☞ Thailand: back in deficit?
- ☞ The Renminbi: overvalued or just right?
- ☞ Banco de Mexico's management of the peso
  - ☞ The role of the BIS
  - ☞ Basel III capital regulations
  - ☞ The role of the IMF under Lagarde
  - ☞ Regulating offshore financial centers?
  - ☞ How keeping track of capital flight?

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## International Finance :

### The rules of the game

10 sessions October 8-18, 2013



- ☞ Prerequisite 1 = Be on time! Doors get closed at H + 1 mn
- ☞ If your group is due to make a presentation, arrive at H-5 mns
- ☞ Prerequisite 2 = Mobile phones OFF!
- ☞ Prerequisite 3 = Read the course's documents BEFORE attending the course
- ☞ Prerequisite 4 = Participate! Speak up!
- ☞ Each session starting on Session 2- oral presentation by a group of 5 students discussing a few "hot spots" regarding IF and global markets based on daily reading of the news (FT, Echos, Tribune, WSJ, Internet, IMF/WB newsletter...)
- ☞ The *hot spot review* should last around <15 mns and open up to a debate

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## Work program

1. **Read** the documents and the key chapters of the book(s) that highlight the seminars
2. **Keep reading** the daily news to be abreast of the unfolding of current issues pertaining to IF: stand ready to be called upon for participation in weekly hot spot reviews!
3. **Start preparing** your research report. The topic of your case study must be defined asap and given to the professor on session 3
4. **REPORT-CASE STUDY** = PowerPoint presentation tackling an international finance topic: it can be that of a MNC, a bank, an investment fund, a country, an IFI...

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## Course Policy

- ☞ List of case study topics:
- ☞ Sending the final group reports: end October
- ☞ Final exam :
- ☞ *no* excuses will be accepted for late assignments, unless they are formally approved in advance by the academic direction and by the professor.



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### Methodology:

- ☞ “Think global”, never lose sight of the global environment. Financial techniques and toolboxes are useful but they will never be successful unless they take into account the global integration of financial markets (ex. spill-over effect!)
- ☞ Read the news (FT, Reuters, The Economist, IIF and BIS reports, Bradynet, IMF and IBRD news...)
- ☞ Work in groups/teams
- ☞ Challenge the professor
- ☞ Read and assimilate the books and articles (Eiteman, E. Clark... websites)

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### TextBooks

1. **Jeff MADURA-Roland Fox**, International Financial Management, 2011
2. **David Eiteman**, « Multinational Business Finance », **Pearson**
3. **Bouchet, Clark & Gros Lambert**, « Country risk assessment », **Wiley**
4. **Bouchet**, Finance et Gestion Internationale, **Pearson**

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### Assessment & Grading System

- ☞ Class Participation & oral group presentations “IF hot spots”: 20%
  - ☞ Final Project 35%
- ☞ Quiz /final exam 45% (makeup exams will not be offered)



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### Organization

- ☞ Michelhenry.bouchet@skema.edu
- ☞ Web site Global Finance:
  - [www.developingfinance.org](http://www.developingfinance.org)
- ☞ SKEMA Knowledge website

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