

**GEORGIA INSTITUTE OF TECHNOLOGY**  
**The College of Management**

**International Finance**  
MGT 4070  
Fall 2012

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**Course Description**

This course extends the principles of finance to an international setting. International finance differs from purely domestic finance in at least two important ways. First, firms and individuals operating in an integrated world economy face the risk of fluctuating exchange rates. Second, international capital markets are highly imperfect, reflecting various barriers to cross-border capital flows, such as excessive transaction costs, information asymmetry, and legal/institutional regulations of foreign exchange and capital markets. Throughout the course emphasis is on how to deal with exchange risk and market imperfections using various instruments and techniques available while maximizing the benefits from the expanded global opportunity set. Major topics of the course include foreign exchange markets (spot, forward and options), determination and forecasting of the exchange rates, foreign exchange risk management, international portfolio investments, international asset pricing, corporate governance around the world, cross-border M&A, and the basic arbitrage equilibrium conditions holding in international financial markets.

Prerequisite: MGT 3062 Financial Management or MGT 3078 Finance and Investments.

**Textbook**

Cheol S. Eun and Bruce G. Resnick, International Financial Management, Sixth Edition, McGraw-Hill/Irwin, 2012 (ISBN 978-0-07-803465-7)

**Reference Materials**

1. Students can go on line for quizzes, extra materials, and interactive exercises from the following website: <http://www.mhhe.com/er6e> Visit Online Learning Center.
2. Internet resources: There are numerous websites that are useful for the study of international finance, some of which are provided in the textbook.
3. Financial Times: A British financial/business daily offering an extensive coverage of international financial developments.
4. Euromoney: A monthly publication providing a rich array of statistical data and analyses concerning international investment and financing. Available at Georgia Tech Library.
5. Economist: A British weekly magazine providing highbrow commentaries on international economic, financial, and political developments and trends.

## **Administrative Matters**

1. Class sessions will be devoted to the discussion of reading assignments and mini cases. Students are expected to have thoroughly read the assigned materials beforehand.
2. I will post announcements, lecture notes and homework assignments on T-Square (<https://t-square.gatech.edu>).
3. Important dates:
  - Mid-term exam I: September 24, Monday
  - Mid-term exam II: October 31, Wednesday
  - Final exam date: TBA
  
  - School holidays: September 3 (Labor Day)
  - October 15 (Student Recess)
  - Last day of class: December 7
  - Last day to withdraw from the course with a grade of W: October 12.
4. Grade Composition: The course grade will be determined by the sum of 25% of the highest exam score, 20% of the other two exam scores, 20% of problem sets, 15% of participation. Your final grade will be based on your relative performance in the class.
5. Participation points depend on both in-class exercise and class or case discussions. I will give in-class exercises often if not every class. You will lose participation points from missing the exercises unless you inform me in advance of your absence with a proper reason. You are also allowed to miss the exercise once without losing participation points.
6. Class hours: 8:05am-9:25am, Monday and Wednesday.
7. Office hours: 10:00am-11:00am, Monday and Wednesday or by appointment.
8. In one session we will discuss the current crisis in the Euro Zone, which requires you to purchase a business case article online. Purchase the article from the following website (<http://www.xanedu.com/login.shtml?PackId=382552>). Instruction to purchase the article will be posted on T-Square.

## **Classroom Civility**

1. Conduct yourself with honor and be active about upholding the honor code amongst yourselves.
2. Arrive at classroom on time and, if late, please sit in the back and disturb the class as little as possible. Students who arrive on time please refrain from taking the back seat.
3. Refrain from using laptops for purposes that are not directly related to the current class session. If you do need laptop for class related purpose, please sit in the back.
4. Turn off cell phones.

**Course Outline (Tentative** -- while an effort will be made to cover all these topics, and in this order, priority will be given to understanding the material, even if it means we go slow at the expense of not covering every single topic listed here)

Session	Date		Topics	Chapters
1	20-Aug	M	Introduction	1
2	22-Aug	W	Monetary system	2
3	27-Aug	M	Monetary system, Balance of payments	2, 3
4	29-Aug	W	The market for FX (1)	5
	3-Sep	M	Labor Day	
5	5-Sep	W	The market for FX (2)	5
6	10-Sep	M	Case: Euro zone	
7	12-Sep	W	International parity relationships (1)	6
8	17-Sep	M	International parity relationships (2), forecast exchange rate	6
9	19-Sep	W	Review session	
<b>10</b>	<b>24-Sep</b>	<b>M</b>	<b>Midterm 1</b>	
11	26-Sep	W	Governance	4
12	1-Oct	M	Futures and options (1)	7
13	3-Oct	W	Futures and options (2)	7
14	8-Oct	M	Transaction exposure (1)	8
15	10-Oct	W	Transaction exposure (2), economic exposure	8, 9
	15-Oct	M	Fall Break	
	17-Oct	W	No class (professor out for conference)	
16	22-Oct	M	Case: Diva Shoes	
17	24-Oct	W	Economic exposure, international Banking and Money Market	9, 11
18	29-Oct	M	Review Session	
<b>19</b>	<b>31-Oct</b>	<b>W</b>	<b>Midterm 2</b>	
20	5-Nov	M	International bond market	12
21	7-Nov	W	International equity market	13
22	12-Nov	M	International portfolio management	15
23	14-Nov	W	Swaps	14
24	19-Nov	M	Swaps	14
25	21-Nov	W	Swaps	14
26	26-Nov	M	FDI and cross-border M&A	16
	28-Nov	W	Day before Thanksgiving	
27	3-Dec	M	International capital structure and the cost of capital	17
28	5-Dec	W	Review session	