

INTERNATIONAL FINANCE

Fall 2025

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Description

This undergraduate course introduces fundamental concepts and applications in international finance.

The topics are organized into two themes: international quantities and international prices. We will spend three weeks on the first theme and the remaining nine weeks on the second. In the first part, we will explore capital flows (international borrowing and lending) and their measurement, as well as issues like sovereign debt and default.

The majority of the course will focus on understanding the currency market and the prices of bonds and stocks in international contexts. We will discuss real and nominal exchange rates (spot and forward), speculative attacks, and interest rate differentials (also known as uncovered interest rate parity puzzles). Additionally, we will study international corporate finance.

Learning Objectives and Exams

The primary learning objective is to apply the knowledge gained in class to address real-world economic and business issues. Each student will select a country and an industry, and each student is tasked with analyzing the economics and business conditions of the chosen country for a multinational firm in the chosen industry, which plans to expand its operations in the chosen country. Each student will be required to summarize the country's economic conditions, identify a key macroeconomic challenge, discuss current macroeconomic policy and its implications for operating a business, and ultimately produce a country economic and business outlook. The project will be divided into three stages, each corresponding to a take-home exam with specific instructions.

Required Material

You are required to purchase the following material.

1. Case Packet from [Harvard Publishing](#)

Supplementary Material (OPTIONAL)

There are no required textbooks for this course. The course is largely based on *International Financial Management* (IFM) by Bekaert and Hodrick. Moreover, any edition of Feenstra and Taylor's *International Economics* (FT) and the recent textbook *International Macroeconomics: A Modern Approach* (SUW) by Schmitt-Grohé, Uribe, and Woodford are good references for the first two weeks. I will refer to relevant chapters from these books as we progress through the course.

Grading Policy

Your grade will be determined by four components: take-home exams, problem sets, and a group case homework, and a group case presentation. For the group case study, you will work in teams to analyze a case related to the course material. Each group is required to submit a written solution and deliver a presentation. The relative weights are as follows:

Exams	60%
■ Three take-home exams, each accounting for 20%.	
Problem Sets	20%
■ Four Problem Sets, each accounting for 5%.	
Group Case Homework	10%
■ One Group Case Homework, each accounting for 10%.	
Group Case Presentation	10%
■ One Group Case Presentation, each accounting for 10%.	

Tentative Course Schedule

The schedule below is tentative.

Week	Topic	Assignment
1	Puzzles and Tools	
2	Basics of International Capital Flows; Measuring Capital Market Integration	
3	Country and Political Risk; Sovereign Credit Risk	
4	Real Exchange Rates and PPP; The Resource Curse; Sovereign Wealth Funds, The Case of Norway	Exam 1
5	Exchange Rate Risk; Hedging Exchange Rate Risk (Forwards and Swaps); Covered Interest Parity, Arbitrage, and Deviations	
6	Continue	

Week	Topic	Assignment
7	Speculation and Risk in Currency Markets; Uncovered Interest Parity; Risk Premia in Forex, CAPM for currencies; Carry Trade	
8	Continue	Exam 2
9	International Equity Financing; International Cross-Listings and Depository Receipts	Case presentation
10	International Capital Market Equilibrium; Volatility of Currency and Equity Returns	
11	International Return Correlation; International Diversification; Equity Home Bias	
12	International Debt Financing; International Banking	Final Exam (finishing business outlook report)
