Prerequisites
FNCE 601, FNCE 602 (FNCE 602 can be taken concurrently)

Reading Materials
• The textbook for this course is *International Financial Markets and the Firm* by Piet Sercu and Raman Uppal, South-Western College Publishing, 1995. This book is available in the bookstore.
• There is a Bulkpack at Reprographics that contains a first set of lecture notes, readings, homework questions and answers, and old exams. Additional material will be handed out in class. There will also be a modest (estimated to be less than $40.00) bursar-billed fee for course handouts.

Course Requirements
• **Two Examinations** are scheduled for
  Thursday, **October 14** — in class   (just before Fall-Break)
  Thursday, **December 2** — in class
Each exam will count for 35% of the final grade. Unexcused absences from exams will result in a zero score in the calculation of the final grade. Excused absences from exams require formal excuses by the Academic Services Office. Exams are closed book, but you may prepare a letter sized sheet (8.5*11) with your notes.

• **Five Written Assignments** will count together for 25% of the final grade—the lowest assignment score will be dropped. Each student is expected to join a project group consisting of 3-5 members. The project groups will jointly prepare and submit written assignments (exercises and case studies). The individuals constituting a group must remain the same over the semester, so please choose your groups carefully. To help reduce problems due to free-riding etc., group members will be asked near the end of the term to evaluate the participation of the other group
members. This confidential evaluation may affect the individual grade obtained for the assignments.

Assignments will be distributed in class two or more lectures before they are due. Students missing class may pick them up in the “pick-up boxes” in the Finance Department, in Steinberg-Dietrich Hall Room 2300, directly opposite the receptionist’s desk. Boxes are labeled: FNCE, 719, Jermann. LATE ASSIGNMENTS WILL NOT BE ACCEPTED. The written assignments will be discussed in class and answers will not be distributed. After grading, written assignments will be available in the pick up boxes in the Finance Department.

- **One Short Quiz** of about 20 minutes will take place during the last class, on Thursday December 9. This quiz will count for 5% of your final grade and will cover material from the preceding lecture.

**Regrading exams and graded assignments**

Any request for regrading must be submitted in writing within two weeks from the date the exams or assignments are available for pick-up. The exam or assignment should be placed in my mailbox in the Finance Department. I will then transmit it to the TA responsible for grading.

The request for regrading must be very specific. When you request a regrade, the TA retains the right to regrade the entire exam or assignment. Unambiguous errors in grading will be promptly corrected.

**Homework**

Several problem sets will be assigned during the semester and the answers to most of these problems are contained in the bulkpack. The purpose of these exercises is to give you the opportunity to make sure you fully understand topics covered in class. By regularly doing these exercises you get excellent training for exams and assignments and you will maximize your return from this class. These problem sets will not be graded, and you should feel free to work in groups.
**Course Outline**

This class is about the international financial markets and their financial instruments. The central theme is currency exchange rates and related derivative securities. The class will adopt the perspective of international investors as well as the perspective of internationally active firms.

Each of the following numbered topics covers approximately one week of classes:

**About foreign exchange markets and instruments**
1. Introduction to International Financial Markets
2. Spot Exchange Markets (IFMF 1)
3. Eurocurrency Markets, Forward Contracts and Interest Rate Parity (IFMF 2)
4. Forward Contracts: Pricing, Hedging, Bid-Ask Spreads (IFMF 3-4)
5. Currency Futures (IFMF 5)
6. Currency Options (IFMF 6, 8)
7. Currency and Interest Rate Swaps (IFMF 10)

**About exchange rate determination**
8. Purchasing Power Parity and Theories of Exchange Rate Determination (IFMF 11, 12)
9. Expectations, Forward Rates and Interest Rates (IFMF 14)
10. Forecasting Exchange Rates, Quantifying Exchange Rate Risk (IFMF 15)

**About stocks**
11. International Equity Portfolios

Several current event topics such as the European Monetary Union, currency crises, etc. are treated at various points in the semester.

Readings: IFMF refers to International Financial Markets and the Firm by Sercu and Uppal. Additional readings are contained in the bulkpack and will be handed out in class.
Classes, Assignments Due and Exams

Thu, Sept 9
Tue, Sept 14
Thu, Sept 16
Tue, Sept 21
Thu, Sept 23
Tue, Sept 28
Thu, Sept 30 Assignment #1 due, project groups are fixed
Tue, Oct 5
Thu, Oct 7
Tue, Oct 12 Assignment #2 due
Thu, Oct 14 Exam 1 — in class
Tue, Oct 19
Thu, Oct 21
Tue, Oct 26
Thu, Oct 28 Assignment #3 due
Tue, Nov 2
Thu, Nov 4
Tue, Nov 9
Thu, Nov 11 Assignment #4 due
Tue, Nov 16
Thu, Nov 18
Tue, Nov 23 Assignment #5 due
Thu, Nov 25 No Class: Thanksgiving
Tue, Nov 30
Thu, Dec 2 Exam 2 — in class
Tue, Dec 7
Thu, Dec 9 Short Quiz — in class

A more detailed schedule will be updated on the class webpage throughout the semester.