

City University of Hong Kong

Information on a Course
offered by the Department of Economics and Finance
with effect from Semester B in 2014/2015

Part I

Course Title: International Finance

Course Code: EF5406

Course Duration: 1 semester (39 hours)

Credit Units: 3

Level: P5

Medium of Instruction: English

Prerequisites: Nil

Precursors: Nil

Equivalent Courses: Nil

Exclusive Courses: Nil

Part II

1. Course Aims

The aim of this module is to provide students with an understanding of international arbitrage relationships, models of exchange rate determination, and recent issues and debates in the international finance literature. Particular attention is devoted to the description of the basic international parity relationships and the models of exchange rate determination. Furthermore, current issues in international financial markets will be introduced with the aim of critically evaluate the empirical literature on international finance puzzles.

2. Course Intended Learning Outcomes (CILOs)

Upon successful completion of this course, students should be able to:

No.	CILOs
1.	Describe the basic international arbitrage relationships and understand why deviations from these may occur.
2.	Analyze some of the basic models of exchange rate determination.
3.	Analyze and discuss some of the recent issues in international finance.
4.	Critically evaluate the empirical literature related to the fundamental debates on international finance puzzles.

3. Teaching and learning Activities (TLAs)

(Indicative of likely activities and tasks designed to facilitate students' achievement of the CILOs. Final details will be provided to students in their first week of attendance in this course.)

CILO No.	TLAs
CILOs 1-4	Lectures: The lectures introduce fundamental concepts in international finance and macroeconomics to students and encourage them to think critically and logically, with the goal to guide students to develop their ability to solve problems arising in international financial environments.
CILOs 1-4	In-class Discussions: Real-world international cases and exercises will be discussed in the lectures. Students will be encouraged to apply the various economic principles and basic theories discussed during the lectures.
CILOs 1-4	Term Project: In a group of two or three people, students need to write a 10-page empirical paper on international financial markets and/or exchange rates. Specific topics on the empirical study on exchange rates include, for example, exchange rate forecast, real and nominal exchange rates, purchasing power parity, uncovered interest parity puzzle. The analysis should be based on data-driven facts, advanced econometrics tools, and economic principles.

4. Assessment Tasks/Activities

(Indicative of likely activities and tasks designed to assess how well the students achieve the CILOs. Final details will be provided to students in their first week of attendance in this course.)

CILO No.	Type of assessment tasks/activities	Weighting (if applicable)	Remarks
CILOs 1-4	In-class discussions	5%	
CILOs 1-4	Final examination (2 hours)	50%	
CILOs 1-4	Term project	45%	

5. Summary of how DEC is incorporated in Assessment Tasks, and Teaching and Learning Activities (TLAs)

DEC Elements	Assessment Tasks and TLAs
Develop students' attitude to discover and innovate	Lectures and In-class discussions
Develop students' abilities to discover and innovate, reveal their accomplishments in Discovery and Innovation	Term project
Accomplishments of Discovery and Innovation	Final examination

6. Grading of Student Achievement

Letter Grade	Grade Points	Grade Definitions	Remarks
A+ A A-	4.3 4.0 3.7	Excellent	Strong evidence of knowing how to apply the concepts in international finance to the topics outlined in CILOs. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments of discovery.
B+ B B-	3.3 3.0 2.7	Good	Evidence of knowing how to apply the concepts in international finance to the topics outlined in CILOs. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments of discovery.

C+	2.3	Adequate	Some evidence of knowing how to apply the concepts in international finance to the topics outlined in CILOs. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments of discovery.
C	2.0		
C-	1.7		
D	1.0	Marginal	Sufficient familiarity with the subject of international finance. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments of discovery.
F	0.0	Failure	Little evidence of familiarity with the subject. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments of discovery.

Part III

Keyword Syllabus

Covered Interest Parity, Uncovered Interest Parity, Purchasing Power Parity, Exchange rate theories, Foreign Exchange Risk, Exchange Rate Determination, Real Exchange Rates, Exchange Rate Forecasting, International Portfolio Strategies, and Exchange Rate Volatility.

Recommended Reading

Richard M. Levich (2001), *International Financial Markets: Prices and Policies*, 2nd Edition, McGraw-Hill

Sarno, L. and Taylor, M.P. (2003), *The Economics of Exchange Rates*, Cambridge University Press.

Additional readings, including recently published papers in academic journals, will be provided in lectures as the module progresses.