EF5406: INTERNATIONAL FINANCE

Effective Term
Semester B 2025/26

Part I Course Overview

Course Title
International Finance

Subject Code
EF - Economics and Finance

Course Number
5406

Academic Unit
Economics and Finance (EF)

College/School
College of Business (CB)

Course Duration
One Semester

Credit Units
3

Level
P5, P6 - Postgraduate Degree

Medium of Instruction
English

Medium of Assessment
English

Prerequisites
Nil

Precursors
Nil

Equivalent Courses
Nil

Exclusive Courses
Nil

Part II Course Details

Abstract
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.

Course Intended Learning Outcomes (CILOs)

	CILOs	Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Explain the basic international arbitrage relationships and explain why deviations from these may occur.		x	x	
2	Justify and apply some of the basic models of exchange rate and current account determination.		x	x	
3	Discuss some of the recent issues in international finance, such as global imbalances and international capital market integration.		x	x	
4	Discuss the empirical literature related to the fundamental debates on international finance puzzles.			x	x

A1: Attitude
Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability
Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments
Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Learning and Teaching Activities (LTAs)

	LTAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	Students will engage in formal lectures to gain fundamental concepts in international finance and macroeconomics.	1, 2, 3, 4	2 hours/week
2	Econometrics Workshop	Students will participate in economic data analysis and economic model estimation by using state-of-the-art software and do their independent empirical research.	2, 4	0.5 hours/week

3	Homework Assignment	Students will apply econometric methods to investigate the statistical properties of exchange rates and other macroeconomic variables and test relationships implied by economic theory.	1, 2, 3, 4	
4	Paper Presentation	Students will present a published research paper related to this course in class.	3, 4	0.5 hours/week
5	Term Project	Students will participate in a group of three to five people to write a 10-page empirical paper on international financial markets and/or exchange rates. Specific topics in the empirical study on exchange rates include, for example, exchange rate forecast, real and nominal exchange rates, purchasing power parity, and uncovered interest parity puzzle. The analysis should be based on data-driven facts, advanced econometrics tools, and economic principles.	1, 2, 3, 4	

Assessment Tasks / Activities (ATs)

	ATs	CILO No.	Weighting (%)	Remarks ("-" for nil entry)	Allow Use of GenAI?
1	Homework Assignment	1, 2, 3, 4	20	For Assignments and Group Project, you can use Generative Artificial Intelligence Tools to help you understand the concepts/ questions/ problems, or analyze data. You can also use AI for proof-reading and grammar assistance. However, you must not use Generative AI to create content or substitute original thought. For research, you must engage with primary sources directly rather than using AI-generated summaries. The final version of your assignment or project must be your own work. You are not allowed to use Generative Artificial Intelligence Tools in any mid-term exam(s)/quiz(zes).	Yes

2	Paper Presentation	3, 4	20	For Assignments and Group Project, you can use Generative Artificial Intelligence Tools to help you understand the concepts/ questions/ problems, or analyze data. You can also use AI for proof-reading and grammar assistance. However, you must not use Generative AI to create content or substitute original thought. For research, you must engage with primary sources directly rather than using AI-generated summaries. The final version of your assignment or project must be your own work. You are not allowed to use Generative Artificial Intelligence Tools in any mid-term exam(s)/quiz(zes).	Yes

3	Term project	1, 2, 3, 4	30	For Assignments and Group Project, you can use Generative Artificial Intelligence Tools to help you understand the concepts/ questions/ problems, or analyze data. You can also use AI for proof-reading and grammar assistance. However, you must not use Generative AI to create content or substitute original thought. For research, you must engage with primary sources directly rather than using AI-generated summaries. The final version of your assignment or project must be your own work. You are not allowed to use Generative Artificial Intelligence Tools in any mid-term exam(s)/quiz(zes).	Yes

Continuous Assessment (%)

70

Examination (%)

30

Examination Duration (Hours)

2

Assessment Rubrics (AR)

Assessment Task

Homework Assignment (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Excellent

(A+, A, A-) Excellent ability to apply appropriate econometric methods to test economic theories.

Good

(B+, B, B-) Good ability to apply appropriate econometric methods to test economic theories.

Fair

(C+, C, C-) Adequate ability to apply appropriate econometric methods to test economic theories.

Marginal

(D) Marginal ability to apply appropriate econometric methods to test economic theories.

Failure

(F) Inadequate ability to apply appropriate econometric methods to test economic theories.

Assessment Task

Paper Presentation (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Excellent

(A+, A, A-) Excellent ability to understand and articulate and critically assess recent developments in the literature.

Good

(B+, B, B-) Good ability to understand and articulate and critically assess recent developments in the literature.

Fair

(C+, C, C-) Adequate ability to understand and articulate and critically assess recent developments in the literature.

Marginal

(D) Marginal ability to understand and articulate and critically assess recent developments in the literature.

Failure

(F) Inadequate ability to understand and articulate and critically assess recent developments in the literature.

Assessment Task

Term Project (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Excellent

(A+, A, A-) Excellent ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Good

(B+, B, B-) Good ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Fair

(C+, C, C-) Adequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Marginal

(D) Marginal ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Failure

(F) Inadequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Assessment Task

Final Exam (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

Excellent

(A+, A, A-) Excellent ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Good

(B+, B, B-) Good ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Fair

(C+, C, C-) Adequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Marginal

(D) Marginal ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Failure

(F) Inadequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Assessment Task

Homework Assignment (for students admitted from Semester A 2022/23 to Summer Term 2024)

Excellent

(A+, A, A-) Excellent ability to apply appropriate econometric methods to test economic theories.

Good

(B+, B) Good ability to apply appropriate econometric methods to test economic theories.

Marginal

(B-, C+, C) Marginal ability to apply appropriate econometric methods to test economic theories.

Failure

(F) Inadequate ability to apply appropriate econometric methods to test economic theories.

Assessment Task

Paper Presentation (for students admitted from Semester A 2022/23 to Summer Term 2024)

Excellent

(A+, A, A-) Excellent ability to understand and articulate and critically assess recent developments in the literature.

Good

(B+, B) Good ability to understand and articulate and critically assess recent developments in the literature.

Marginal

(B-, C+, C) Marginal ability to understand and articulate and critically assess recent developments in the literature.

Failure

(F) Inadequate ability to understand and articulate and critically assess recent developments in the literature.

Assessment Task

Term Project (for students admitted from Semester A 2022/23 to Summer Term 2024)

Excellent

(A+, A, A-) Excellent ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Good

(B+, B) Good ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Marginal

(B-, C+, C) Marginal ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Failure

(F) Inadequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.

Assessment Task

Final Exam (for students admitted from Semester A 2022/23 to Summer Term 2024)

Excellent

(A+, A, A-) Excellent ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Good

(B+, B) Good ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Marginal

(B-, C+, C) Marginal ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Failure

(F) Inadequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Part III Other Information

Keyword Syllabus

Current Account Determination, Covered Interest Parity, Uncovered Interest Parity, Purchasing Power Parity, Exchange rate theories, Foreign Exchange Risk, Exchange Rate Determination, Real Exchange Rates, Unit Roots and Cointegration

Reading List

Compulsory Readings

	Title
1	Sarno, L. and Taylor, M.P. (2003), The Economics of Exchange Rates, Cambridge University Press.
2	Schmitt-Grohe Stephanie, Martin Uribe and Michael Woodford (2015), International Macroeconomics Columbia University

Additional Readings

	Title
1	Richard M. Levich (2001), International Financial Markets: Prices and Policies, 2nd Edition, McGraw-Hill
2	Mark, Nelson (2001), International Macroeconomics and Finance, Theory and Econometric Methods, Blackwell Publishers.
3	Uribe, Martin and Stephanie Schmitt-Grohe (2015). Open Economy Macroeconomics, Columbia University