

**International Finance  
FIN 6638 Section 015F**

Warrington College of Business  
University of Florida

Spring 2020

Brian Gendreau  
[brian.gendreau@cba.ufl.edu](mailto:brian.gendreau@cba.ufl.edu)  
352-846-0273

Homepage: [bgendreau.com](http://bgendreau.com)

Class meetings: TTH 11:45P-1:40P in HGS140.

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This course provides an introduction to international financial markets and international financial management. The course will be taught from the perspective of an international fund manager, though much of the material would also be of use to the treasurer of a multinational corporation.

**Prerequisites:** This course requires that students have completed core courses in corporate finance and statistics, though a review of the fundamentals will be provided in class.

**Course materials:**

The text for this class is Cheol Eun and Bruce Resnick, *International Financial Management*, 8<sup>th</sup> Ed., 2018, ISBN-13: 978-1-259-71778-9, referred to as “*IFM*” below.

Articles and the case for the course will be in a course packet available at Target Copy. Most of the articles are also available through the UF Business Library.

**Deliverables:** (1) Three cases, each with an associated quiz; (2) problem sets, some to be done in class; (3) a mid-term; and (4) a final exam. The cases, which are available from Darden Business Publishing and Harvard Business Publishing and are in the course packet are:

*Global Asset Allocation: Whither the U.S. Dollar?* Darden Business Publishing (March 2018).

*Hedging Currency Risks at AIFS*, Harvard Business Publishing (February 2007).

*Tiger Airways: Buyout Offer From Singapore International Airlines*, Harvard Business School (April 2018).

Each case will be prepared and presented by a team of volunteers. As an incentive to volunteer, all team members will automatically get the full five points for class participation. All team members will receive a team grade. The rest of the class will take a quiz on the case (for the same number of points). Team members presenting the case will not be required to take the quizzes. The class will discuss each case after the team presentation.

**Grading:** The grades will be determined by a mid-term exam 30%, final exam 40%, cases 15%, problem sets 10%, and class participation 5%. Full credit on the class participation component of the

grade will require complete engagement with the class. Grading will be in accord with Graduate School policy: <http://www.registrar.ufl.edu>

Class attendance is required, but arrangements can be made to make up exams missed because of events such as job interviews, illnesses or family emergencies *provided* the make-ups are arranged beforehand. Any make-up exams will each be offered to students on a single date only.

All problem sets and case-related quizzes will be posted to Canvas the day they occur and can be made up for full credit *provided* (1) arrangements are made with the instructor beforehand, and (2) they are turned in before the solutions are posted, which will usually be by the next class meeting.

Students with disabilities will be accommodated. University policy is that such students must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

**Final exam date:** April 28, 11:45 – 1:40, HGS 140.

Power point presentations used in the lectures will be available on-line.

**Laptop/cell phone policy:** Laptops must be closed during exams. There is no closed laptop policy during the lectures, but students overly absorbed in their laptops are unlikely to do well on the class participation portion of their grades. Texting will be considered negative class participation.

**Office hours:** Wednesdays 2:00-4:00, or by appointment — e-mail me if you would like to meet. I am in my office (303E STZ) most weekdays and respond to all e-mails, usually on the same day.

### **Course content:**

#### **1. What's special about international finance?**

*IFM*, Chapter 1: Foundations of international financial management.

#### **2. The International monetary system and capital flows**

*IFM*, Chapter 2: International Monetary System  
Chapter 3: Balance of Payments

*A User's Guide to the BOP and IIP*, Darden Business Publishing, UVA-BP-0523 (2008).

Case 1: *Global Asset Allocation: Whither the U.S. Dollar?*

#### **3. Foreign exchange markets**

*IFM*, Chapter 5: The market for foreign exchange

#### **4. International parity conditions and forecasting exchange rates**

*IFM*, Chapter 6: International parity conditions and forecasting exchange rates

Kenneth A. Froot and Richard H. Thaler, Anomalies: Foreign Exchange, *Journal of Economic Perspectives* (Summer 1990).

*Exchange Rate Models*, Darden Business Publishing, UVA-BP-0496 (February 2017).

#### **5. Hedging currency risks**

*IFM*, Chapter 7: Futures and options on foreign exchange

Chapter 8: Management of transaction exposure

Chapter 9: Management of economic exposure

Chapter 14: Interest rate and currency swaps

*Economic exposure*, Darden Business Publishing, UVA-F-1603, Rev. Nov. 12, 2009.

— *Case 2: Hedging Currency Risks at AIFS*

#### **6. International investing**

*IFM*, Chapter 12: International bond market

Chapter 13: International equity markets

Chapter 15: International portfolio investment

Magnus Dahlquist and Campbell Harvey, "Global Tactical Asset Allocation," *Emerging Markets Quarterly* (Spring 2001).

Heckman Global Advisors, *Global Investment Outlook*, DCM Advisors, (March 2020). Available on the course e-learning site.

#### **7. International capital structure and the cost of capital**

*IFM*, Chapter 17: International capital structure and the cost of capital

Chapter 18, International capital budgeting

Kenneth A. Froot, *Cross-Border Valuation*, Harvard Business School (1995)

— *Case 3: Tiger Airways Buyout.*