INTERNATIONAL FINANCIAL MARKETS in Fall 2020 (BA3050)

Course Code	BA3050	**Professor(s)**	Suzanne Bodevin
Prerequisites	None	**Office Number**	G-3A03
Class Schedule	M: 10:50-12:25 in G-113 R: 16:20-17:55 in G-113	**Office Hours**	Tuesday afternoon/evening depending on your time zone
Credits	4	**Email**	sbodevin@aup.edu
Semester	Fall 2020	**Office Tel. Ext.**	598

Course Description

We will explore, in detail, Foreign Exchange (FX) Markets. Via an individual projects students will discover: What market conditions influence a "buy or sell" decision in FX markets? When is it possible to arbitrage FX markets and profit? Lastly, a short section will explore: How are foreign exchange rates forecasted?

A second major topic is Financial Derivatives (Futures, Options, and Swaps). After investigating the theoretical underpinnings of Options, students will engage in options trading to create their own profit-making strategies. Using case study analysis students will analyze the role of Swaps in hedging debt exposure.

Course Learning Outcomes

Understand various international financial markets and their interrelations.
Analyze foreign-exchange rate fluctuations, and their influence on the value of international financial instruments.
Effectively communicate results of financial analysis when using global financial instruments.

General Education

[PLEASE REMOVE THIS SECTION IF THE COURSE DOES NOT FULFILL ANY GLACC REQUIREMENT]

GLACC
The Global Liberal Arts Core Curriculum (GLACC) degree requirements include the following categories of courses:

- Integrative Inquiry (coded CCI)
- Experiential learning (coded CCX)
- Research, Interpretation, and Writing (coded CCE)
- Digital Literacy and Communication (coded CCD)
- Disciplinary Research Methods and Writing (coded CCR)
- Quantitative Reasoning (coded CCM)
- Experimental Reasoning Course with Lab (coded CCS)
- Expression Française (coded FR)
- AUP Capstone (coded CCC)

This course can be used to fulfill the [INDICATE THE REQUIREMENT(S) FULFILLED BY THE COURSE] requirement and as such has the following learning outcomes:

[INDICATE THE GENERAL EDUCATION LEARNING OUTCOMES]

Course Outline

CLASS SCHEDULE:

September

Week I – 23rd – 25th

Thursday: The International Monetary System

Read both Miskhkin chapters.

Week II – 28th – 2nd

Monday: The Economics of Exchange Rates.

Read Foreign Exchange text Chapters 1 & 2 for next class.

Thursday: Quiz 1 on material presented (Classes 1 & 2).

Foreign Exchange (UBS - Tim Weithers), Chapters 1 & 2; Spreads Worksheet (in-class).

Assign Group Project on FX Specific Currency Pair.

Read Foreign Exchange (Tim Weithers), Chapter 5.

September 30th – last day to drop/add courses online

October

Week III – 5th – 9th

Monday: Student Group Presentations on FX Currency Pairs. Return Quiz 1.

Lecture UBS Chapter 5. In-class Problem UBS #5.

Assign "Spot Training" Exercise for Homework.

Read UBS Chapters 3 & 6 for next class.

Thursday: Present UBS Chapter 3 (Interest Rates), and UBS Chapter 6 (Forward Market). Assign Project 1.

Week IV –12th – 16th

Monday: Quiz 2 on UBS Chapter 5. Questions on Project 1? Work in-class exercises Chapter 6.

Explain Project #2 (Box Diagram).

Thursday: Project 1 is due.

Lecture on Exchange Rate Forecasting (PPP, IRPT).

Week V – 19th – 23rd

Monday: Project 2 is Due. Quiz on UBS Chapters 3 & 6. Distribute Solution for Project 2 (Test prep). Lecture on Technical Trading (prep. for Individual Trading Projects).

Thursday: **TEST 1**

Week VI – 26th – 30th

Monday: Trading Project – FXCM.com introduction;

INTRO to OPTIONS Theory

READINGS: UBS Weithers text (pp. 153-75) and BB readings EITEMAN and EUN ; CME web site (Chicago Mercantile Exchange)

ASSIGNMENT: Basic options H.W. (practice questions)

Thursday:

TOPICS: QUIZ on Options H.W. #1; OPTIONS lecture 2

READINGS: BB reading - HULL

ASSIGNMENT: second options H.W.

October 28th, Mid-semester

<u>November</u>

<u>Week VII – 2nd – 6th</u>

Monday: Review answers Options H.W. #2; Continue Options Lecture 2 and Intro Lecture 3

Thursday:

<u>TOPICS</u>: Complete Options Theory

<u>READINGS</u>: Darden Article on Black Scholes Model and HULL reading on Options (see BB Readings)

<u>ASSIGNMENT</u>: Options Assignment 3

<u>Week VIII – 9th- 13th</u>

Monday: Review OPTIONS Assignment #3, and discuss various spreads and extra credit. Lecture: INTRO to Futures.

Thursday: **Holiday**

November 11th to 13t, fall break (no classes)

<u>Week IX – 16th- 20th</u>

Monday:

<u>TOPICS</u>: FUTURES and In-class exercises : « Mark-to-Market » and Hedging using quotes from CME web site

<u>READINGS</u>: Chicago Mercantile Exchange Publications (see BB)

<u>ASSIGNMENT</u>: HW set on Futures

Thursday:

<u>TOPICS</u>: Explain the **Futures/Options Project** (due next class)

<u>READINGS</u>: CME Readings ; HULL *Options Futures and Other Derivatives* - Chapter on Futures

<u>ASSIGNMENT</u>: **Futures/Options CME Project** (due next class)

November 16th, Mid-semester grades due

<u>Week X – 23rd – 27th</u>

Monday:

TOPICS: **QUIZ on Futures**; **Futures/Options CME Project DUE** – Review Outcomes/Questions regarding Test 2

Thursday: TEST 2

November 27th, **last day to withdraw from a course**

last day to choose credit/no credit option

<u>Week XI – Nov 30th – Dec 4th</u>

Monday: Use of Derivatives – Major Hedging Case Study assigned. Introduction to Swaps.

Thursday: Swaps Case Study Assigned. Final Topics – Financial Crisis/Theme Reading

<u>December</u>

Week XII – 7th – 11th

Monday: Dervative Case Study Due

Thursday: Swaps Case and Final Preparation.

December 11th, last day of classes,

December 12th - 15th, reading days

December 16th – 22th, Final Exams

January 4nd, all grades due

Textbooks

This course doesn't have any textbook.

Attendance Policy

ATTENDANCE POLICY:

Students studying at The American University of Paris are expected to attend ALL scheduled classes, and in case of absence, should contact their professors to explain the situation. It is the student's responsibility to be aware of any specific attendance policy that a faculty member might have set in the course syllabus. The French Department, for example, has its own attendance policy, and students are responsible for compliance. Academic Affairs will excuse an absence for students' participation in study trips related to their courses.

Covid-19 temporary amendments:

Students studying at The American University of Paris are STILL EXPECTED TO ATTEND ALL scheduled classes. Due to the Covid-19 pandemic, students will have the option of attending classes remotely when special circumstances apply. For example when students are placed under quarantine by the French authorities or by their doctor, or when students present symptoms of Covid-19 and are directed, by their doctor or the AUP Health Office, to remain home. It is still the student's responsibility to be aware of any specific attendance policy that their professor might have set in the course syllabus. In particular, Students attending remotely from distant Time Zones should check with their professors about the specific attendance policy for remote learners.

At the beginning of the semester, remote learners must report their continent and time zone to the professor.

Attendance at all exams is mandatory.

In all cases of missed course meetings, the responsibility for communication with the professor, and for arranging to make up missed work, rests solely with the student.

An instructor may also recommend that a student withdraw, if absences have made it impossible to continue in the course at a satisfactory level.

Students must be mindful of this policy when making their travel arrangements, and *especially during the Drop/Add and Exam Periods.*

ENGLISH LANGUAGE PROFICIENCY STATEMENT: As an Anglophone university, The American University of Paris is strongly committed to effective English language mastery at the undergraduate level. Most courses require scholarly research and formal written and oral presentations in English, and AUP students are expected to strive to achieve excellence in these domains as part of their course work. To that end, professors include English proficiency among the criteria in student evaluation, often referring students to the university Writing Lab where they may obtain help on specific academic assignments. Proficiency in English is monitored at various points throughout the student's academic career, most notably during the admissions and advising processes, while the student is completing general education requirements, and during the accomplishment of degree program courses and senior theses.

Grading Policy

GRADING:

15% Student Participation (including in-class discussion, direct questions, and quizzes)

35% Case Studies and Projects (Group Work)

50% Test One, Test Two and the Final Exam

Peer evaluations will be conducted (for group work) twice during the semester.

For remote learners (those not present in the classroom) the three exams will be given orally.

ALL students are expected to attend each class. Remote learners, communicating via TEAMS, must acquire the necessary skills to follow classes.

Teams Etiquette :

- Please RSVP to meeting invitations
- Join meetings with mute on, keep it on if there is any background noise
- Think about headphones … maybe noise cancelling if you're easily distracted. Headphones with microphones may be a good investment.
- Cameras on so we can see you!
- To the extent possible, have a dedicated "serious" space for your meetings. This is like being at work. No distractions, etc. Keep the food and drink to a minimum, unless of course we're having dedicated apéro.
- Cool backgrounds are appreciated!
- Raise your hand to be recognized unless we're working in a very small group. Try not to talk at once, this creates serious microphone problems for those attending online.
- Try to keep the chat on topic
- I'll ask for a different volunteer every class to remind me to record and to keep track of the chat and any questions there

Other