



**University of International Business and Economics
International Summer School**

FIN 213 International Finance (International Financial Management)

Instructor: Dr. Yeomin Yoon
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Credit: 2 units

Students

Undergraduate students (and open to graduate students)

Teaching Language

This course is taught in English.

Prerequisites

Basic (introductory) knowledge of economics and finance

Methods of Instruction

The course is designed to help students to acquire basic knowledge in international finance and financial management through lectures and class discussions. The class will use problems and case studies, supplemented by additional readings.

Classroom Capacity

30

Evaluation

Every class is to some degree a class in ethics. For both the instructor and students, preparation for class work and class attendance command top ethical and professional priorities. Class attendance is mandatory. It is expected that proper global business etiquette is observed by all class attendees, including turning all pagers and mobile phones off.

Grade will be based on two (closed book) exams and class participation.

Relative Weight	
• Mid-term Exam (Exam I), Thursday, July 6 (9:50 a.m. – 11:20 a.m.)	40%
• Final Exam (Exam II), Thursday, July 13 (9:50 a.m. – 11:20 a.m.)	40%
• Class attendance and participation	20%

Office Hours (Boxue Building, Room #920): 2 p.m. – 3 p.m. on July 3, 5, 10, and 12, and by appointment

About the Instructor

Dr. Yeomin Yoon is Professor of Finance & International Business at Seton Hall University, New Jersey, USA. He teaches international finance and global business at both undergraduate and graduate levels. His research has been widely recognized, achieving some of the largest number of downloads from the Social Science Research Network. His commentaries on global financial and other issues have often been published in major newspapers, including China Daily, Financial Times, Korea Herald, The Star-Ledger, and The Record. For eight years, Professor Yoon served as a Senior Special Fellow and/or Academic Advisor of the United Nations Institute for Training and Research for a program designed to train diplomats and other senior governmental officials of the member states of the U.N. on global economy and finance. Dr. Yoon has also served as a frequent panelist / guest speaker / discussion leader on global financial and economic issues for many groups, including the WNYE (Channel 25 in New York) TV programs on Asia, and the 3/23 Group (J. P. Morgan group of financial and banking experts) in New York. As Corporate Finance Advisor to a USAID (United States Agency for International Development) program, he taught corporate finance and international finance to economics faculty of eight universities in the former Yugoslavia. He also served as a visiting professor at the Graduate School of International Studies, Seoul National University. Professor Yoon is a recipient of several grants as well as the university award for achievement in teaching as well as a Bright Idea Research Award from New Jersey Policy Research Organization Foundation.

Course Description

This course is intended to examine the problems, techniques, and policies of financial decision-making in a global enterprise. It is geared toward students who will be employed by multinational firms or firms that want to internationalize their business. Emphasis is placed on how to utilize international financial markets to achieve financial management objectives. We will use problems and case studies. We will also discuss relevant current issues such as the internationalization of the Chinese renminbi and the problems faced by the eurozone. The combination of theory and applications makes the course useful for real-world decision-making. The course is designed to help students to acquire basic knowledge in international finance, i.e., the “fundamentals” of international finance that cannot be “downloaded.” The instructor will help students to “upload” (onto their brains) one by one, the fundamental knowledge and competency in the following areas:

- globalization and finance: major features of finance-dominated capitalism
- China’s globalization and its implications to the world
- internationalization of the Chinese renminbi and its implications to the world
- functions of the foreign exchange market
- foreign exchange rates and quotations
- international monetary environment
 - ¶ Will the renminbi rule the world?
 - ¶ Whither the euro?
- attributes of the “ideal currency” (the impossible trinity)
- determination of foreign exchange rates
- international parity conditions
- balance of payments
- arbitrage and speculation in the foreign exchange market
- foreign currency options
- interest rate and currency swaps
- management of foreign exchange transaction exposure

Syllabus

MAJOR UNITS OF INSTRUCTION AND TOPICS

I. Introduction to Global economic/Financial issues and Foreign exchange market

- Globalization and finance
- More faith in G2, Chimerica?
- Geographical extent of the foreign exchange market
- Foreign exchange rates and quotations
- Cross rates
- Types of transactions
- FX market participants
- Dollar return vs. local currency return
- Currency appreciation (revaluation) and depreciation (devaluation)
- Triangular arbitrage
- Speculation in the spot and forward exchange markets

II. Determination of exchange rates and international monetary system

- The asset market model of exchange rates
- Fundamentals of central bank intervention
- Alternative exchange rate systems
- History of the international monetary system
- Emerging market financial crises

III. Currency futures and options markets

- Currency futures market versus the forward market
- Hedging in the futures market
- Currency options on the over-the-counter market
- Currency options in organized exchanges
- Currency option quotations and prices
- Speculating in currency options markets
- Bull spread
- Bear spread
- Straddle
- Strangle
- Butterfly spread

VI. International Parity Conditions

- Law of one price
- Purchasing power parity
- Real exchange rate
- Interest rate parity and covered interest arbitrage
- Fisher effect
- International Fisher effect

V. Foreign exchange transaction exposure management

- Forward market hedge
- Money market hedge
- Options market hedge

- Synthetic forward
- Collar option
- Re invoicing centers
- Leading and lagging

VI. Balance of payments

- Double-entry accounting
- Current account
- Capital account
- Financial account
- Official reserve account
- The U.S. current account deficit and its implications
- China's current account surplus and its implications

VII. Financial swaps

- Interest rate exposure
- Why swap?
- Coupon swap
- Basis swap
- Cost reducing interest rate swap
- Risk reducing interest rate swap
- Parallel loans
- Currency swaps

Reading:

- The instructor's teaching note on cost reducing interest rate swaps
- The instructor's teaching note on risk reducing interest rate swaps
- The instructor's teaching note on currency swaps

VIII. International monetary environment

- Will the renminbi rule the world?
- Whither the euro?
- Attributes of the "ideal currency" (the Impossible Trinity)

Required Text

Multinational Business Finance 14th Edition (2016) by Eiteman/Stonehill/ Moffet, Pearson/Prentice Hall, New York (or any other International financial management textbook at an equivalent level).

Reference Readings

Additional readings (articles) on current issues will be determined before the class begins on July 3, 2017 and hard copies will be distributed in class. Examples for such articles are:
C Arvind Subramanian (2011), "Coming soon, when the renminbi rules the world," Financial Times, Sept. 12, 2011
• Yeomin Yoon, "US should respect China's free choice in currency policy," Financial Times, October 12, 2011

- Yeomin Yoon, “A globalizing China benefits the world,” China Daily, July 24, 2014
- Week in China, “The A to Z of the RMB: How the yuan is going global,” Second Edition 2015, HSBC
- Robert W. McGee and Yeomin Yoon, “China reluctant to join ‘the ‘anyone but China Club’,” China Daily, October 30, 2015
- Yeomin Yoon, “Way forward is for US to co-operate with China,” Financial Times, November 11, 2015
- Yeomin Yoon, “Short-term flows of money should meet speed bumps,” Financial Times, January 13, 2016
- Yeomin Yoon, “China should not become victims of flawed currency system,” China Daily, January 19, 2016
- Yeomin Yoon, “The demise of China’s transition economy is greatly exaggerated,” China Daily, February 23, 2016
- Yeomin Yoon, “The ABCs of the TPP,” The Record, August 14, 2016