FI 356-01 INTERNATIONAL FINANCIAL MARKETS AND INVESTMENTS
IES Abroad Milan - Summer Business

DESCRIPTION:

This course offers a comprehensive introduction to the workings of international financial markets, institutions, and instruments. Vast amounts of capital are exchanged across global financial markets every second. These transactions influence business investments, the production of goods and services, and the economic wealth of nations.

Focusing on the role of financial markets and institutions, asset valuation, risk-return analysis, and the dynamics of financial crises, this course addresses critical questions: What roles do financial markets and intermediaries play? What assets are traded in these markets, and why are they regulated? How do interest rates influence the valuation of financial assets? What is the role of central banks and their tools of monetary policy? How do foreign exchange markets function, and what are the causes and consequences of global financial crises?

To enable students to gain hands-on experience applying financial concepts and analytical skills to real-world problems, they will conclude the course with a business practicum, working in teams to analyze a financial problem faced by a local company and develop strategic solutions.

CREDITS: 4 credits

CONTACT HOURS: 48 hours of in-class instruction, plus at least 15 hours of practicum hours

COURSE FREQUENCY: 3 sessions per week

LANGUAGE OF PRESENTATION: English

ADDITIONAL COST: None

PREREQUISITES: Finite mathematics or comparable course in financial mathematics

METHOD OF PRESENTATION:
The professor will use lectures to introduce the key materials, and class discussions to encourage students to share their understanding of these materials. Exercises and mini-case studies will be used to allow students to put concepts into practice. A business project will pair students' theoretical learning with practical financial problem-solving, preparing students for real-world financial analysis and decision-making.

REQUIRED WORK AND FORM OF ASSESSMENT:
- Class Engagement: 10%
- Exam 1: 25%
- Exam 2: 25%
- Business project practicum: 40%

Class Engagement: Active class engagement is a crucial aspect of this course. Students are expected to come prepared, having completed the assigned readings and reflected on key issues related to the course topics. Meaningful participation involves not only sharing ideas but also engaging in respectful dialogue with peers. The class discussions will be informal and interactive, encouraging students to think critically, ask questions, and contribute insights and references to current events that advance the collective learning experience.

Exam 1: The exam will be closed-book and conducted in-class. It aims to consolidate and assess students' understanding of the concepts discussed in the first half of class, through a combination of problem-solving exercises and questions that may include multiple choice, short answer, and short essay formats.

Exam 2: The exam will be closed-book and taken in-class. It will include multiple choice, short answer, and short essay questions, as well as exercises that require practical application of course material. The exam will be comprehensive, covering the breadth of topics discussed throughout the course, with a focus on evaluating students' ability to analyze complex financial issues

Business Project Practicum:
The business project practicum is designed to provide students with a hands-on opportunity to apply financial concepts and analytical skills from the course to a real-world challenge presented by a local company. This project will engage students in solving a specific financial issue or opportunity faced by the company, integrating topics such as financial markets, interest rates, bond and stock valuations, and investment strategies.
In week 1, the local company will present a financial project that aligns with the course's key themes. During this meeting, students will have the opportunity to ask questions and learn key details about the company's financial health and strategic aims. Students will work in team, dedicating approximately 15 hours to the project outside of class. Their tasks will include gathering and analyzing financial data, applying valuation techniques, and developing strategic recommendations based on their findings. Students will have the opportunity to consult the instructor and the company if they have questions while preparing their project. They will be expected to utilize course concepts to complete their project, which will culminate in a formal presentation to the company's management and the course instructor. Each team will present their financial analysis, strategic recommendations, and the potential impact of their proposals. This presentation will be supported by a detailed written report, showcasing their application of financial concepts and their ability to generate actionable insights.
The project will be evaluated based on the accuracy and depth of the financial analysis, the relevance and feasibility of the recommendations, teamwork, and presentation skills.
Both the company and the instructor will assess the projects using rubrics available to students on Moodle in advance.

LEARNING OUTCOMES:
By the end of the course students will be able to:

- Discuss the determinants and consequences of international trade and international financial transactions.
- Outline basic financial concepts and analytical techniques and their application to international transactions.
- Employ the systems and models that enable financial operations to be carried out and hedge financial risk.
- Explain the environment and factors associated with foreign exchange rate determination.
- Understand and use financial derivatives.
- List and explain the various derivative hedging strategies.
- Assess the basic strategies and techniques associated with exchange risk management.
- Apply the appropriate theories to explain, predict, and understand financial phenomena in the 'real world.'

ATTENDANCE POLICY:
Class attendance is compulsory. Unexcused absences will be subject to a 5% (5 points) reduction in final grade per missed class.

ACADEMIC INTEGRITY:
Students are expected to abide by the IES Abroad Code of Academic Integrity. All work submitted by a student for academic credit should constitute the student's own original work. Any work submitted for academic credit may be subject to review by a textual similarity detection service for the detection of plagiarism and AI usage.

CONTENT:

Week	Content	Assignments
Week 1 **Session 1**	**Introduction to Financial Markets and Institutions** • Overview of the Course and Syllabus • Entry Test: To assess students' baseline knowledge • Introduction to Financial Markets and Institutions • Function, structure, and types of financial markets and institutions	• Textbook, pgs. 41-53; 55-67. • Federal Reserve Interest Rate Cut & U.S. Economic Outlook • Currency Crises in Emerging Markets: Council on Foreign Relations • Case study: Parmalat Scandal (2003) - Financial Fraud: The Economist (December 30, 2003) and video
Week 1 **Session 2**	**Launch of Business project & Financial Markets and Institutions** • Meet with local company for company presentation, launch of project brief, and Q&A session (10:00 – 11:00) • Fundamentals of financial institutions • The importance of financial institutions in market stability	• Textbook, pgs. 175-193 Case study: Hyperinflation in Weimar Germany - Impact of hyperinflation on central banking policies
Week 1 **Session 3**	**Interest Rates and Valuation (Part 1)** • Introduction to Interest Rates: Definition and importance • Role of Interest Rates in Valuation	• Textbook, pgs. 77-102 Case study: Wirecard Scandal - Fraud in Financial Markets
Week 2 **Session 1**	**Interest Rates and Valuation (Part 2)** • Impact of interest rates on financial markets • Interest Rate Changes: Discussion on determinants	• Textbook, pgs. 106-153
Week 2 **Session 2**	**Determinants of Interest Rates** • Risk and Term Structure of Interest Rates: How risks affect rate structures • Recent interest rate trends	• Textbook, pgs. 106-153 • European Central Bank Yield Curve Data: ECB Euro Area Yield Curves
Week 2 **Session 3**	**The Bond Markets (Part 1)** • Functioning of Bond Markets: Key instruments and operations • Introduction to Bond Valuation	• Textbook, pgs. 308-332 • Case study: Federal Housing Finance Agency (FHFA) Report on Government-Sponsored Enterprises
Week 3 **Session 1**	**The Bond Markets (Part 2) & Exam Recap** • Continuation of Bond Market Topics • Bond Portfolio Management Exercise • Recap and Review for Exam	• Textbook, pgs. 308-332

Week 3 **Session 2**	**EXAM 1**	
Week 3 **Session 3**	**Central Banking and Money Markets** • Central Banking: Origin, structure, and monetary policy of the European Central Bank • Money Markets: Functioning and players	• Textbook, pgs. 225-241; 285-305 • U.S. Treasury Auction Data: U.S. Treasury Direct • Federal Reserve Monetary Policy & Reserve Requirements: Federal Reserve Board
Week 4 **Session 1**	**Stock Markets & Foreign Exchange Markets** • Stock Markets: Valuation and key instruments • Introduction to Foreign Exchange Markets: Long- and short-term determinants	• Textbook, pgs. 333-350; 375-395.
Week 4 **Session 2**	**Financial Derivatives & Other Market Players** • Introduction to Financial Derivatives: Instruments and their roles in financial markets • Other Players in Financial Markets: Investment banks, brokers, dealers, and VC • Business Project Check-in	• Textbook, pgs. 570-590; 615-642. • Case study: Amazon IPO Case Study - Analysis of Amazon's initial public offering (IPO) • Case study: Tesla IPO & Fiat-Chrysler Bond Issue - Example of company prospectuses
Week 4 **Session 3**	**Mutual Funds & Final Recap** • Mutual Funds: Overview of the industry, particularly in the U.S. • Final Recap and Exam Review: Key concepts from the entire course	• Textbook, pgs. 515-529.
Week 5 **Session 1**	**EXAM 2**	
Week 5 **Session 2**	**Presentation of Business Project**	

REQUIRED READINGS:
Mishkin, Frederic and Stanley Eakins. *Financial Markets and Institutions,* 11th – GLOBAL Edition. Pearson, 2018.

Supplementary Readings and Case Studies

Throughout the course, we will refer to various **financial news articles, reports, and case studies** to illustrate real-world applications of financial concepts:

1. Financial News & Government Reports

1. **European Central Bank Yield Curve Data**
   - **Source:** ECB Euro Area Yield Curves
   - **Lecture:** *Risk and Term Structure of Interest Rates*
2. **U.S. Treasury Auction Data**
   - **Source:** U.S. Treasury Direct
   - **Lecture:** *The Money Markets*
3. **Federal Reserve Monetary Policy & Reserve Requirements**
   - **Source:** Federal Reserve Board
   - **Lecture:** *The Money Markets*
4. **TIPS (Treasury Inflation-Protected Securities) Index Data**
   - **Source:** U.S. Treasury Direct - TIPS Rates
   - **Lecture:** *The Bond Markets*
5. **Federal Housing Finance Agency on Fannie Mae & Freddie Mac**
   - **Source:** Federal Housing Finance Agency (FHFA) Report on Government-Sponsored Enterprises
   - **Lecture:** *The Bond Markets*
6. **Federal Reserve Interest Rate Cut & U.S. Economic Outlook**
   - **News:** Fed Chair Jay Powell's interest rate decision and its economic impact
   - **Lecture:** *Function, structure, and types of financial markets and institutions*
7. **Currency Crises in Emerging Markets**
   - **Source:** Council on Foreign Relations
   - **Lecture:** *Function, structure, and types of financial markets and institutions*

2. Case Studies & Financial Scandals

8. **Hyperinflation in Weimar Germany**
    - **Historical reference:** Impact of hyperinflation on central banking policies
    - **Lecture:** *Fundamentals of financial institutions*
9. **Wirecard Scandal - Fraud in Financial Markets**
    - **Case Study:** Wirecard's financial fraud and collapse
    - **Lecture:** *Interest Rates (First Part)*
10. **Parmalat Scandal (2003) - Financial Fraud**
    - **Source:** *The Economist* (December 30, 2003)
    - **Lecture:** *Fundamentals of financial institutions*
11. **Amazon IPO Case Study**
    - **Details:** Analysis of Amazon's initial public offering (IPO)
    - **Lecture:** *Investment, Broker, Dealer, and VC*
12. **Tesla IPO & Fiat-Chrysler Bond Issue**
    - **Details:** Example of company prospectuses from financial markets
    - **Lecture:** *Investment, Broker, Dealer, and VC*

INSTRUCTOR BIOGRAPHY:

Davide Castellani, Ph.D., is an Associate Professor of Banking and Finance in the Department of Management at the University of Bergamo. Holding a doctorate in Financial Markets and Intermediaries from the Catholic University of Milan, he is a recognized expert in financial inclusion, SME finance, green microfinance, and sustainable development. His research focuses on the intersection of banking, financial behavior and social impact, with a particular emphasis on marginalized populations and the design of innovative financial instruments that foster economic empowerment. Beyond academia, Dr. Castellani has played a key role in numerous high-impact projects in collaboration with international organizations such as the Union for the Mediterranean, CAF, World Vision International, FSD Kenya, and the Inter-American Development Bank. His professional engagements span from shaping policy strategies for financial inclusion to designing financial education programs, mapping gender-lens investment ecosystems, and conducting rigorous impact evaluations.