



FI 356 INTERNATIONAL FINANCIAL MARKETS AND INVESTMENTS

IES Abroad Barcelona

DESCRIPTION: The aim of this course is to give a broad picture about international financial markets and international investments finance moving from the needs of the firm to the financial instruments available to cater to those needs. Subjects that are covered include: international financial instruments, the portfolio techniques and the risk management.

A Black Swan is costly. This statement is absolutely agreed by businessmen and professionals, particularly those facing inherent risk in their professional lives. Minimizing the cost of risk to an optimum level unanimously means that we are increasing the value of a firm and the value of any investment. Using integrated approaches and real-life cases, the course will emphasize discussion on the design and implementation of risk management practices. Basically, it purports to help students realize, and understand various state-of-the-art risk management theories and practices (such as loss control, loss financing, and internal risk reduction mechanisms) as well as their advancement in the future

The main goal is to offer both a clear framework and a set of operative tools to understand the financial markets, build up portfolios, and ensure the investor risk exposure. The whole structure of the course is applied, involves several real-world cases that are discussed in class, and is oriented to develop capabilities to understand and use international finance methodologies and practices used around the world.

CREDITS: 3 credits

CONTACT HOURS: 45 hours

LANGUAGE OF INSTRUCTION: English

PREREQUISITES: None. At least one college-level business course recommended.

ADDITIONAL COST: Students will be charged for a textbook

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.
- Students will use worksheets and mini-case studies to gain practical experience of the key points.
- They will read relevant contemporary articles before class, and relevant videos will be shown before or during class sessions, to link the theoretical topics discussed to current events.

REQUIRED WORK AND FORM OF ASSESSMENT:

- Midterm exam - 25%
- Final exam - 25%
- Class participation - 10%
- Individual and/or group assignments - 20%
- Final project - 20%

The **midterm and final exams** will cover all material studied during the course – theory, case studies, course-related trips, and final projects. The exams will take the form of quizzes and/or practical exercises designed to test students' theoretical and practical understanding of the topics covered in class.



The **class participation** grade will take into account students' active participation in class discussions, their ability to introduce ideas and thoughts dealing with the required texts, effective use of technical language, and their analytical skills in intellectual, constructive argumentation. When determining the class participation grade, the professor will take into account traditional criteria such as material preparation, completed reading before class, and collaborative group work.

Students are expected to deliver worksheets and solutions to problems.

Students will discuss a case (additional costs may be assumed by the student) as a **final project**. This assignment will be partly a group project. No late submissions will be accepted. Papers should be no longer than 2,000 words, double spaced, Verdana 12.

LEARNING OUTCOMES:

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

- Facilitate understanding of the determinants and consequences of international trade and international financial transactions.
- Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.
- Students will be able to understand and apply the systems and models that enable financial operations to be carried out in the field of Hedging Financial Risk.
- Explain the environment and factors associated with foreign exchange rate determination.
- Understand and use the financial derivatives.
- List and explain the various derivative hedging strategies.
- Assess the basic strategies and techniques associated with exchange risk management.
- Be able to build an efficient portfolio.

ATTENDANCE POLICY:

As a member of our class community, you are expected to be present and on time every day. Attending class has an impact on your learning and academic success. For this reason, attendance is required for all IES Barcelona classes, including course-related excursions. If a student misses more than three classes in any course without justification, 3 percentage points will be deducted from the final grade for every additional absence. Seven unjustified absences in any course will result in a failing grade. Absences will only be justified, and assessed work, including exams, tests and presentations rescheduled, in cases of documented medical or family emergencies.

CONTENT:

Session	Content	Required Reading
Session 1	Recap of: All financial Assets Definition of Risk Foreign Direct Investment Short- and Long-Term Financing Risk Vs. Return	• Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 1 • Chu, M. (2012). "Play it Safe at Home, or Take Risk Abroad?" Boston: <i>Harvard Business Review</i>. Case study.
Session 2	Valuation of Financial Risk Standard Variance under Price Lag Models VaR.	• Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 2

Session 3	Valuation of Financial Risk Standard Variance under Price Lag Models VaR.	- Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 2 - El Zein Ajour, S. (2020). JP Morgan Bank warns of climate change hit to corporate assets, UPC, 1-8.
Session 4	Valuation of Financial Risk Standard Variance under Price Lag Models VaR.	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 4
Session 5	Foreign Exchange Market Functions and Structure Market Players The Spot Market The Forward Market Model to forecast financial risk management	- Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 5 - Lane, P. R., & Shambaugh, J. C. (2010). Financial exchange rates and international currency exposures. <i>American Economic Review</i>, 100(1), 518-540.
Session 6	Foreign Exchange Market Functions and Structure Market Players The Spot Market The Forward Market Model to forecast financial risk management	- Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 5 - Mikołajewicz-Woźniak, A., & Scheibe, A. (2015). Virtual currency schemes—the future of financial services. <i>Foresight</i>, 17(4), 365-377.
Session 7	Foreign Exchange Market Functions and Structure Market Players The Spot Market The Forward Market Model to forecast financial risk management	- Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 6 - Chen, H., & Siklos, P. L. (2022). Central bank digital currency: A review and some macro-financial implications. <i>Journal of Financial Stability</i>, 60, 100985.
Session 8	Hedging and Risk Management Risk Management and Hedging Strategies Managing Economic and Translation Exposure Usage of Financial Products: FRAs – Futures	- Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 6 - El Zein Ajour, S. (2020). Cemex Takes Measures to Manage Exchange Rate Morgan
Session 9	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Introduction	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 7

		Rudolf, K. O., Ajour El Zein, S., & Lansdowne, N. J. (2021). Bitcoin as an Investment and Hedge Alternative. A DCC MGARCH Model Analysis. <i>Risks</i>, 9(9), 154.
Session 10	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Introduction	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 7
Session 11	Exam Review and Article Reading about an analysis on the NASDAQ's potential for sustainable investment.	Shields, R., Ajour El Zein, S., & Vila Brunet, N. (2021). An analysis on the NASDAQ's potential for sustainable investment practices during the financial shock from Covid-19. <i>Sustainability</i>, 13(7), 3748.
Session 12	Midterm exam	
Session 13	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options: Calls, Puts in various market positions	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 7
Session 14	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Strategies: Protective Put and Covered Call Black and Scholes Model for pricing options	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 8
Session 15	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Strategies: Zero Cost collar	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 8.
Session 16	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Strategies: Straddle, and Strangle	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 8
Session 17	Hedging and Risk Management Risk Management and Hedging Strategies Usage of Financial Products: Options Strategies: Butterfly	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 9
Session 18	Interest rate hedge Using Swaps contracts: Plain Vanilla Swaps Swap options	Dempsey, M. (2021). Financial risk management and derivative instruments. Routledge. Chapter 5

		Chernenko, S.; Faulkner, M. (2011). The two sides of derivatives usage: Hedging and speculating with interest rate swaps- <i>Journal of financial and quantitative analysis</i>, June.
Session 19	Guest speaker	Sustainable Portfolio Management from a practical approach. Details to be announced.
Session 20	Introduce Portfolio Management: A. Performance of an asset B. Performance of a portfolio C. Risk of an asset D. Risk of a portfolio E. Normality hypothesis F. Mean, expectation, variance, standard deviation, covariance, correlation coefficient and regression line	- Read Article 1 from this article bank - Read: Dutta, A., Bouri, E., Rothovius, T., & Uddin, G. S. (2023). Climate risk and green investments: New evidence. <i>Energy</i>, 265, 126376. - Bacon, C. R. (2023). Practical portfolio performance measurement and attribution. John Wiley & Sons. - MARKOWITZ, H., SHARPE, W. & TODD, P. "Mean-Variance Analysis in Portfolio Choice and Capital Markets". Wiley & Sons. 2002 - SHARPE, W. "Portfolio Theory in Capital Markets. The original edition". Mc.Graw-Hill, 2018
Session 21	Build up strategies with the two theories and differentiate between risk and return.	- Read: Kajiita, R. M., & Kang'ethe, S. M. (2023). Creating alternative interventions in social work to promote socio-economic development in South Africa: Lessons from selected social enterprises. <i>International Social Work</i>, 66(2), 342-356. - Read Article 12 from this article bank
Session 22	Build up Investment strategies based on Portfolio Theory - Markowitz Model	- Read Article 4 from this article bank - Read: Kajiita, R. M., & Kang'ethe, S. M. (2023). Creating alternative interventions in social work to promote socio-economic development in South Africa: Lessons from selected social enterprises. <i>International Social Work</i>, 66(2), 342-356.
Session 23	Portfolio Fund Presentations	Read: Fan, L., & Xie, J. (2023). Identify determinants of container ship size

		investment choice. Maritime Policy & Management, 50(2), 219-234. Read Article 5 from this article bank
Session 24	Course review and final exam review.	

Final Exam

REQUIRED READINGS:

- Bacon, C. R. (2023). Practical portfolio performance measurement and attribution. John Wiley & Sons.
- Chen, H., & Siklos, P. L. (2022). Central bank digital currency: A review and some macro-financial implications. Journal of Financial Stability, 60, 100985
- Chernenko, S.; Faulkner, M. (2011). The two sides of derivatives usage: Hedging and speculating with interest rate swaps- Journal of financial and quantitative analysis, June.
- Chu, M. (2012). "Play it Safe at Home, or Take Risk Abroad?" Boston: Harvard Business Review. Case study
- El Zein Ajour, S. (2020). Cemex Takes Measures to Manage Exchange Rate Morgan
- El Zein Ajour, S. (2020). JP Morgan Bank warns of climate change hit to corporate assets, UPC, 1-8.
- Fan, L., & Xie, J. (2023). Identify determinants of container ship size investment choice. Maritime Policy & Management, 50(2), 219-234.
- Kajiita, R. M., & Kang'ethe, S. M. (2023). Creating alternative interventions in social work to promote socio-economic development in South Africa: Lessons from selected social enterprises. International Social Work, 66(2), 342-356.
- Lane, P. R., & Shambaugh, J. C. (2010). Financial exchange rates and international currency exposures. American Economic Review, 100(1), 518-540.
- MARKOWITZ, H., SHARPE, W. & TODD, P. "Mean-Variance Analysis in Portfolio Choice and Capital Markets". Wiley & Sons. 2002
- Mikołajewicz-Woźniak, A., & Scheibe, A. (2015). Virtual currency schemes—the future of financial services. Foresight, 17(4), 365-377.
- Read: Dutta, A., Bouri, E., Rothovius, T., & Uddin, G. S. (2023). Climate risk and green investments: New evidence. Energy, 265, 126376.
- Rudolf, K. O., Ajour El Zein, S., & Lansdowne, N. J. (2021). Bitcoin as an Investment and Hedge Alternative. A DCC MGARCH Model Analysis. Risks, 9(9), 154.
- SHARPE, W. "Portfolio Theory in Capital Markets. The original edition". Mc.Graw-Hill, 2018
- Shields, R., Ajour El Zein, S., & Vila Brunet, N. (2021). An analysis on the NASDAQ's potential for sustainable investment practices during the financial shock from Covid-19. Sustainability, 13(7), 3748