

Course
International Finance

Lecturer	Duration	ECTS /Credits
Prof. Dr. Frieder Meyer-Bullerdiek f.meyer-bullerdiek@ostfalia.de	4 hours per week (= 180 minutes class per week)	6
Course Character	Semester	Course Language
Elective Course	Fall Semester	English

Prerequisites
Basics of Business Finance

Description of the Course
The International Finance course deals with the financial management of multinational enterprises with special emphasis on currency hedging using derivatives. It starts with an overview of the foreign exchange market including the analysis of foreign exchange rates and quotations. Then, international parity conditions are explored. After this, an introduction to financial derivatives is provided before the primary foreign currency financial derivatives used today in multinational finance are explored. Afterwards, a number of hedging techniques used in international finance will be introduced. These include forward and money market hedges as well as option hedge.

Course components
<p>a. Homework: Homework problems will be assigned in class and most of the solutions will be discussed in class.</p> <p>b. Attendance and participation: Attendance and participation in class is strongly encouraged as general discussion, asking and answering questions will help understanding the course material.</p> <p>c. Exam: The exam will be held during the examination period at the end of the semester. The date will be determined by the examination board. The time allowed is 90 minutes. The exam will be based on homework exercises, lecture, and the material and exercises discussed in class. It may include problems, multiple choice, true/false, short essay answers, short case studies etc. To receive a passing grade for the course students must obtain at least 50% of the total points possible.</p>

Preparation for and Participation in Class:
You are expected to have completed all assigned readings and to have, at minimum, attempted the homework assignments prior to each class. Classroom lectures/discussions will be utilized to develop and enhance your understanding of the material. You have to be prepared at all times to actively participate in classroom discussions, and you should attend class and participate on a regular basis. Please bring a calculator to each class.

Course Outline:
<ol style="list-style-type: none"> 1. The Foreign Exchange Market <ol style="list-style-type: none"> 1.1. Introduction 1.2. Structure of the Foreign Exchange Market 1.3. Transactions in the Foreign Exchange Market 1.4. Foreign Exchange Rates and Quotations 2. International Parity Conditions <ol style="list-style-type: none"> 2.1. Prices and Exchange Rates 2.2. Interest Rates and Exchange Rates 2.3. Forward Rates 2.4. Prices, Interest Rates, and Exchange Rates in Equilibrium

3. Fundamentals of Financial Derivatives
 - 3.1. Financial Futures
 - 3.1.1. Fixed Income Futures
 - 3.1.2. Equity Index Futures
 - 3.2. Financial Options
 - 3.2.1. Introduction to Options
 - 3.2.2. Hedging with Stock Options
 - 3.2.3. Interest Rate Options: Caps, Floors and Collars
 - 3.3. Interest Rate Swaps
 - 3.3.1. Introduction to Interest Rate Swaps
 - 3.3.2. Using Interest Rate Swaps to achieve comparative advantage
4. Foreign Currency Derivatives
 - 4.1. Foreign Currency Futures
 - 4.2. Foreign Currency Options
5. Transaction Exposure Management
 - 5.1. Introduction
 - 5.2. Pros and Cons of Hedging
 - 5.3. Forward Hedge
 - 5.4. Money Market Hedge
 - 5.5. Option Hedge

Selected References:

The course is based in particular upon the following textbook:

Eiteman, D.K. / Stonehill, A.I. / Moffett, M.H.: "Multinational Business Finance", 15th edition, Global edition, Pearson Education Limited, 2021

Important Note:

The above outline can be modified. Some of the above topics will be covered in greater detail than others. The relative importance of each topic will be indicated in class.