

**Michael G. Foster School of Business  
University of Washington**

**International Finance**

**Spring 2020**

Day and Time: MW 8:30 - 10:00 am (1st half of the quarter)

Classroom: Canvas and Zoom

Instructor: Stephan Siegel

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Office Hours: By appointment - please email me.

**Course Description**

Companies engaging in cross-border business as well as investors allocating capital globally face important financial questions beyond those found in a purely domestic (single country) setting. This course aims at providing the necessary understanding and tools to evaluate, finance, and manage international business and investment activities. While emphasis will be on the practical application of techniques and concepts, we will also study underlying economic and institutional forces.

In the context of international finance, understanding foreign exchange rates is crucial. Therefore, this course begins with an overview of the macroeconomic forces that determine exchange rates. We then examine the challenges for firms created by unexpected changes in foreign exchange rates and how, if at all, firms should manage their exposure to currency fluctuations.

Next, we turn to financing decisions and show how firms can use global capital markets to lower their financing costs.

Finally, we study how to discount non-USD cash flows, accounting for international differences in inflation, taxation, and risk.

**Course Objective**

The objective is to introduce a number of fundamental concepts and ideas and to apply them, at least as a starting point, when solving real-world problems.

On the macro-economic level, the course will enable you to evaluate global trade and capital flows and to think about long-run currency movements. On the corporate level, the course will provide you with frameworks and tools to identify and address exposure to currency risk and to compare global financing and investment opportunities available to firms.

### **Course Format**

The course combines lectures with several business cases and real world applications.

### **Course Material**

- Recommended Textbook: Bekaert and Hodrick, International Financial Management, 3rd Edition.
- Required Access to four business cases (MBA students should use this link to purchase case access through HBS)
- Canvas: All material, including cases, additional readings, assignments, case-related data, and lecture notes are available on Canvas. All material is organized under “Modules” and by week (see below for details).

### **Prerequisites**

International Finance builds on models, concepts, and ideas from your “Global Economic Environment” course as well your “Financial Management” course.

From Global Economic Environment, the following topics will be particularly important for us:

- Inflation
- Monetary policy
- Term structure of interest rates.

From Financial Management, you will have to remember the following concepts:

- Real vs. nominal returns
- Risk and expected returns, diversification, systematic (beta) vs. idiosyncratic risk, CAPM
- Discounted cash flow valuation and NPV.

A summary of these concepts is available here for your review as needed.

### **General Course Organization on Canvas**

The course is organized under “Modules.” Each module corresponds to one week.

A lot of the course work is asynchronous in form of recordings, group and individual assignments, and online discussions.

## **Live Zoom Meetings**

All live (i.e., synchronous) meetings will take place during our previously scheduled class times during Spring quarter.

My general plan is to use our Monday classes for review, Q&A, and help with cases and homework assignment. Attendance on Mondays is optional.

On Wednesdays, we will typically discuss a case. Attendance of Wednesday classes is mandatory. During these meetings, I will call on students to present their answers to specific case questions.

## **Grading and Course Requirements**

In line with the school's recommendations, the target median grade will be around 3.5.

Your final grade will depend on:

- Two homework assignments (individual) (each 12.5%): 25%
- Four group assignments (3 x 5% and 1 x 15%): 30%
- One team presentation: 15%
- Ten online Discussions: 15%
- Participation in live Zoom classes: 15%

All graded activities, except for participation in live Zoom classes, have been set up as graded activities on Canvas, to help you manage deadlines. However, the points assigned to different activities are generally comparable to other activities within the same category, but not necessarily across categories. At the end of the course, I will standardize the scores of all activities and aggregate them into a final index (using the above weights) to determine your final grade.

Specifically, there are two homework assignments (each counting for 12.5% of your final grade) to be worked on individually. You can ask or post questions about these online or during help sessions, but you cannot consult or discuss these with anyone else.

There are four group assignments. Most are case related and, I think, manageable. The group-assignment related to last case due at the beginning of the last class is more involved and you should allow for enough time to work on it. It accounts for 15% of your final grade.

Every week, there will two types of online discussions:

- One based on an article that I will post together with a few questions, ideally by Sunday. For that discussion, I might assign you randomly to different cohorts of the class, with each cohort having its own discussion. I will monitor and add to the discussion as needed.
- The other discussion will be based on a question that I will assign to two teams. Both teams will produce a short recorded online team presentation (15% of team members' grade). The rest of the class will discuss these presentations through comments and questions to the teams that the teams have to handle.

Your group or team compensation can change from one assignment to the other, I might also use random group assignment for certain assignments. For groups that you form yourself, the group size should not exceed 4 and can, of course, be smaller.

Given the circumstances, I am sure you understand that there are still a number of open questions and things that might not work out the way I expected. I encourage you to provide feedback and suggestions as we go along and I appreciate your patience when aspects of the course or its delivery require adjustments.

### **Religious Accommodation**

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Faculty Syllabus Guidelines and Resources. Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available at: <https://registrar.washington.edu/students/religious-accommodations-request/>