Instructor: Dr. Aaron Smallwood

Office Location: COBA 327  
Phone: (817) 272-3062  
Email: smallwood@uta.edu  
Course Webpage: I will use blackboard. Please refer to the UTA blackboard site for posted course materials.

Time and Location: July 27 - August 13; M-R 1:00 - 4:00 (pm), COBA 151.

Please note that as a result of a personal matter that I will need to attend to at some point this semester, we have three class periods that meet from 9 am - noon on July 28, 29, 30. I am likely going to cancel classes during the second week, potentially with little notice. I apologize for any inconvenience. Make sure you check your email and the course page on blackboard regularly for updates.

Office Hours: 
Monday 4:00 pm - 5:00 (p.m.)  
Wednesday 4:00 pm - 5:00 (p.m.)  
And by appointment.

Textbook:

Formally, there is no textbook for the class. For those that would like supplemental reading, the central library has a copy of the following textbook:


The world of international finance is ever-changing with exciting events impacting the topics on a daily basis. It should be noted that the course is very heavily skewed toward current events, and I will frequently discuss issues appearing in periodicals, such as *The Wall Street Journal*. A link for *The Wall Street Journal* has been provided on your course website.

Case Studies:

2. “Currency crises in the United Kingdom and Hong Kong” Harvard Case Study: UV-5693-PDF-ENG.
3. “China: To float or not to float (C): Esquel Group and the Chinese RMB” Harvard Case Study: 706023-PDF-ENG.
4. “China ‘Unbalanced’ ” Harvard Case Study: 711010-PDF-ENG.
5. “Parity conditions in international markets” Harvard Case Study: UV 2538-PDF-ENG

Course Description and objectives:

The course deals with issues in international macroeconomics that emerge as a result of trade in goods and services and financial assets. International transactions are often complicated by the existence of an exchange rate, the price of one country’s currency relative to another. The course begins with an introduction of the exchange rate market and the historical monetary arrangements that countries have used. We also discuss the choices that exist today and place specific emphasis on China. Next, I provide a discussion of balance of payments. The second phase of the course includes a discussion of hedging and exchange rate risk. I will show how traders can use derivative assets to both hedge against risk and to speculate. By the end of the course, the successful student should be able to do each of the following:

1. The student will have mastered an understanding of the exchange rate market, especially as it relates to China and Taiwan. In addition, the student will be able to assess the importance of this global market.
2. The student will gain a general understanding of the modern empirical theories of international finance.
3. The student will have an understanding of how the changing international finance climate is expected to affect them, China, Taiwan and the firms they work for.
**Grading:** Course grades will be based on the following:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation and participation</td>
<td>25% total</td>
</tr>
<tr>
<td>Exams #1-3</td>
<td>25% each</td>
</tr>
</tbody>
</table>

**I. Exams:**

Exam 1: Tentatively scheduled for June 19  
Exam coverage: determined by pace of the course.

Exam 2: Tentatively scheduled for June 26  
Exam coverage: Again determined by the pace of the course.

Exam 3: Tentatively scheduled for  
Exam coverage: Again, determined by the pace of the course

**II. Group presentation:**

As noted above, we will discuss four case studies throughout our time together. Participation is expected and you will be graded on your contribution to in class discussion. Please read the case studies before the class begins.

Each group will be assigned a case study. Please form 6 groups, with one groups of 4 people and five groups of 6 people. Within each group, please select one partner. Therefore, each group will contain between 2 and 3 teams of 2 people. Your group will be assigned a set of questions for each case study. For your presentation, I would like you and your partner to select a specific question. Every member of the class will be required to participate. Additionally, as a whole, your group should prepare a complete presentation, while each team of partners should specifically work with each other to answer the question they have been assigned. Please refer to the outline below. You will note that presentations will begin during the second week, and conclude on the Monday of the third week. The following are necessary elements for your presentation.

1. An individual write-up.
2. Your oral presentation within your group.

More specific instruction will be given out during our first class meeting.
Course Outline: Please note that the course is very dynamic and thus will be skewed heavily toward current events. Please note that topics can and will likely change and that the following may also change due to the pace of the course.

Lecture 1: Introduction to international finance. Why do we trade? The concept of comparative advantage, specialization, and gains from trade.

Lecture 2: Introduction to the history of monetary institutions.

Lecture 3-4: History of monetary institutions concluded. IMF classifications of exchange rate systems.

Lecture 5-6: Currency unions and the euro. The debt crisis in Europe and historical currency crises. The law of one price and the real exchange rate. Exam #1.

Lecture 7: Introduction to the balance of payments.

Lecture 8: Return exam #1. Balance of payments concluded. The role of official reserves.

Lecture 9: The foreign exchange rate market (FOREX market). Discussion of the size of the FOREX market. Direct and indirect currency quotes. The bid-ask spread.

Lecture 10: Triangular arbitrage. Exam #2.


Lecture 12: GROUP PRESENTATIONS. Introduction to covered interest rate parity.

Lecture 13: GROUP PRESENTATIONS. Hedging against exchange rate risk, both inside and outside China. Non-deliverable forward markets and money market hedges.

Lecture 14: GROUP PRESENTATIONS. Discussion of currency options and futures contracts. Final exam.
Grade Grievances: You have one calendar year from the date the grade is assigned to initiate any grievance. The normal academic channels are department chair, academic dean, and the Provost.

Academic Dishonesty: The UTA Student Handbook contains the following statement on academic dishonesty:

“It is the philosophy of The University of Texas at Arlington that academic dishonesty is a completely unacceptable mode of conduct and will not be tolerated in any form. All persons involved in academic dishonesty will be disciplined in accordance with University regulations and procedures.”

“Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusions, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts.” (Regents' Rules and Regulations, Part One, Chapter VI, Section 3, Subsection 3.2 Subdivision 3.22)

Reasonable Accommodations: Students with academic disabilities needing accommodations should make an appointment to meet with me in my office during the first week of class. I will do my best to make the necessary accommodations to insure that no student is at a disadvantage because of his/her disability.

Bomb Threats: Effective April 8, 1997, the College of Business Administration has adopted a policy to deal with the classroom disruption caused by bomb threats in the building. (A) Section 22.07 of the Texas Criminal Law Statutes governs terrorist threats and classifies bomb threats as Class A misdemeanors. Section 12.21 of the Texas Criminal Law Statutes states that a Class A misdemeanor is punishable by (1) a fine not to exceed $4,000, (2) a jail term of not more than one year, or (3) both such a fine and confinement. (B) If anyone is tempted to call in a bomb threat, be aware that UTA will soon have technology to trace phone calls. (C) Every effort will be made to avoid cancellation of presentation/tests caused by bomb threats to the Business Building. Unannounced alternate sites will be available for these classes. If a student who has a class with a scheduled test or presentation arrives and the building has been closed due to a bomb threat, the student should immediately check for the alternate class site notice which will be posted on/near the main doors on the south side of the Business Building. If the bomb threat is received while class is in session, your instructor will ask you to leave the building and reconvene at another location. (D) Students who provide information leading to the successful prosecution of anyone making a bomb threat will receive one semester’s free parking in the Maverick Garage across from the Business Building. UTA’s Crimestoppers will provide a reward to anyone providing information leading to an arrest. To make an anonymous report, call 817-272-5245.