



## Course and Examination Fact Sheet: Spring Semester 2021

### 8,176: International Finance

ECTS credits: 4

#### Overview examination/s

(binding regulations see below)

Decentral - Written examination (100%, 90 mins.)

Examination time: term time

#### Attached courses

Timetable -- Language -- Lecturer

[8,176,1.00 International Finance](#) -- Englisch -- [Von Wyss Heinrich](#) , [Orlov Vitaly](#)

#### Course information

##### Course prerequisites

Prerequisite for 8,176 International Finance is the material of the compulsory subjects of the MBF program. For exchange students we would like to add the following caveat: this is really a master's level course. If you are still on the bachelor's level you are taking International Finance at your own risk

##### Learning objectives

The focus of the first part of the course (Prof. Dr. Vitaly Orlov) is to analyze global Foreign Exchange (FOREX) markets, from a macro-finance perspective. The second part of the course (Dr. Rico von Wyss) is rather a practitioner-oriented overview and covers many topics described in the course content section.

##### Course content

The focus of the first part of the course (Prof. Dr. Vitaly Orlov) is to analyze global Foreign Exchange (FOREX) markets, from a macro-finance perspective. Particular attention is given to linkages mediated through foreign exchange (FOREX) and related global capital markets. Furthermore, the course covers relevant topics on the determination of exchange rates, the efficiency of currency markets (and the associated risks), and some recent policy debates relevant to these markets. The focus of the first part is on a "big picture" overview. The second part of the course (Dr. Rico von Wyss) is rather a practitioner-oriented overview. Declining costs for transportation, communication and computing power are drivers of globalization. Our businesses, companies and investments become more and more interconnected across borders. However, this involves dealing with different currencies, segmented goods markets, different sovereign countries with their own judicial and tax systems. These existing differences across the world cause a number of challenges to the financial management of a (multinational) company as e.g. contractual and economic exposure to exchange rates, credit risk and political risk. International Finance will describe this international environment, the FX prediction and the management and measurement of the risks involved including the instruments to deal with it.

##### Course structure

Topic	Lecturer
Introduction to FOREX, exchange rates and institutional structure <ul style="list-style-type: none"> <li>• Institutional arrangements governing trading in the foreign exchange (FOREX) markets</li> <li>• Summary statistics regarding recent trading patterns of the world's major currencies</li> </ul>	V. Orlov



<ul style="list-style-type: none"> <li>• Operational structure of the FOREX market</li> <li>• The nature and role of FOREX market participants</li> <li>• The rise of electronic trading platforms in FOREX markets</li> <li>• Potential consequences for the behavior of exchange rates</li> <li>• Cryptocurrencies</li> </ul>	
<p>Market Efficiency in the foreign exchange market and the forward bias puzzle</p> <ul style="list-style-type: none"> <li>• Purchasing power parity and interest rate parity</li> <li>• Evidence of systematic ability to earn excess returns in FOREX markets</li> <li>• The source of these returns, the so-called forward bias puzzle</li> <li>• Currency trading strategies in foreign exchange markets</li> <li>• Covered interest arbitrage and its robustness during periods of market stress</li> </ul>	V. Orlov
<p>Exchange rate regimes: some classifications and stylized facts</p> <ul style="list-style-type: none"> <li>• Classification of exchange rate regimes</li> <li>• Rationale for regime choice. To what extent do such classifications matter for macroeconomic performance?</li> <li>• The mechanisms and impact of market intervention in FOREX markets by Central Banks</li> </ul>	V. Orlov
<p>Evaluating and explaining the forward premium puzzle</p> <ul style="list-style-type: none"> <li>• Uncovered interest parity</li> <li>• Speculative carry trade strategies and the evidence for the existence of time varying risk premium in currency markets, with a focus on liquidity risk</li> <li>• Conventional and alternative asset-pricing explanations linked to risk factors</li> <li>• The phenomena of crash risk and liquidity risk in FOREX trading</li> </ul>	V. Orlov
<p>Measuring exposure</p> <ul style="list-style-type: none"> <li>• -Contractual exposure</li> <li>• -Economic exposure</li> <li>• -Translation exposure</li> </ul>	R. von Wyss
<p>Contractual exposure and hedging</p> <ul style="list-style-type: none"> <li>• -Measuring the exposure</li> <li>• -Comparison of hedging instruments</li> <li>• -Case study Brabant Bus Company</li> </ul>	R. von Wyss
<p>Prediction and currency strategy</p>	S. Schubert



A practitioner's approach by Vontobel Asset Management	
Economic Exposure <ul style="list-style-type: none"><li>• -Measuring the exposure</li><li>• -Case study Danish Weaving Machines</li></ul>	R. von Wyss
International bond financing <ul style="list-style-type: none"><li>• -Deposits &amp; loans</li><li>• -Bonds &amp; commercial paper</li><li>• -Fees &amp; spreads</li></ul>	R. von Wyss
Credit Risk in International Trade <ul style="list-style-type: none"><li>• -Documents against payment</li><li>• -Documents against acceptance</li><li>• -Letter of credit</li><li>• -Case study Belco Global Foods</li></ul>	R. von Wyss
Exam	

### Course literature

Compulsory material is the slides as well as the papers and the cases discussed in class. All material will be made available on StudyNet. The course material consists of: PowerPoint/PDF slides of the lectures, supplementary notes to accompany lecture material (as appropriate), case studies/project questions, recommended readings. You do not have to purchase or read any book for 8,176 International Finance.

### Additional course information

In the case of the President's Board having to implement new directives due to the SARS-CoV-2 pandemic in SpS2021, the course information listed above will be changed as follows:

- The course is conducted online via the platform ZOOM;
- The recordings of the course are available for 30 days;
- The lecturer informs via e-mail on the changed implementation modalities of the course;
- Exam format may be changed to the term paper.

### Examination information

#### Examination sub part/s

#### 1. Examination sub part (1/1)

##### Examination time and form

Decentral - Written examination (100%, 90 mins.)

Examination time: term time

##### Remark

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##### Examination-aid rule

Extended Closed Book



The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

#### Supplementary aids

none

#### Examination languages

Question language: English

Answer language: English

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## Examination content

The students' examination is a closed-book exam.

## Examination relevant literature

Relevant for the exam are:

- Material covered in class
- Compulsory readings
- Guest lecture
- Case studies

## Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 12 are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 04 (Thursday, 28 January 2021);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 22 March 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 12 (Monday, 22 March 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the registration period in CW 14 (Thursday, 8 April 2021).