



Division of Economic and Financial Studies

Unit Outline

**ECON828 International Investment and Risk
Second Semester 2006**

Unit Convener

Professor D. J. Jüttner

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convener.

ECON828 International Investment and Risk

4 Credit Points

I. Unit Outline

The course is mainly concerned with the analysis of global risk and international investments. An up-to-date discussion of the topical and graduate-jobs-creating Basel II and the Value-at-Risk system provides students with a solid understanding of modern global risk management systems for internationally active financial institutions. The main features of portfolio analysis are applied to international investments in shares and bonds, foreign direct investment and their taxation.

While the bulk of the weekly meetings consists of lectures, we will have ample opportunity for discussions of specific topics, issues and problems. Exercises and Case Studies accompany the unit. They are designed to sharpen problem solving skills, to hone students' report writing expertise and they provide valuable feed-back on study progress.

The design of the unit ensures a cutting-edge knowledge delivery that prepares graduate students for professional employment and research work. The lecture topics:

Chapter 1: Credit Risk Ratings and International Bond Defaults

Chapter 2: Basel II – Modelling Credit Risk Capital Requirements

Chapter 3: Credit Derivatives

Chapter 4: Developing Market Risk Analysis Tools

Chapter 5: Market Value-at-Risk

Chapter 6: Capital Asset Pricing Model (*students with prior exposure to the material will get advanced reading material instead*)

Chapter 7: International Portfolio Investment

Chapter 8: Global Bond Portfolio Management

Chapter 9: Hedging of International Equity and Bond Portfolios

Chapter 10: Foreign Direct Investment, Taxation and Real Options (Merton Model)

II. Teaching Staff and Lecture Date/Venue

Professor D. J. Jüttner

- **Consultation Hours:**

Wednesday 9-12am and
before and after ECON828 lectures E4A 408

- Tel. 9850 8481

- Fax 9850 8586

- Email jjuttner@efs.mq.edu.au

- Homepage www.econ.mq.edu.au/staff/djuttner.htm

- **Lectures:** Thursday, 18 – 21 hours, E5A116

Questions, suggestions and discussions are to be channeled through the **Bulletin Board** on the unit's home page http://online.mq.edu.au/SCRIPT/ECON828/scripts/serve_home

In fact students are strongly encouraged to freely ask questions regarding the course material. Experience shows that students who asked questions also perform well in the unit. I am also

available during my **Consultation Hours**. Don't forego the opportunity to consult your professor. Besides, at the end of your study program you might need a referee of substance for job applications. Attendance of all classes is strongly recommended.

The timetable for classes can be found on the University web site at:

<http://www.timetables.mq.edu.au/>

III. Recommended Texts

This unit does not rely on one particular textbook; we will use several and also rely on journal articles. Refer to the detailed list of references for recommended readings. Compact lecture notes will be made available to students in hard copies and/or the unit home page. The Notes also contain the relevant references for each Chapter.

Unit Web Page: http://online.mq.edu.au/SCRIPT/ECON828/scripts/serve_home

Students will be able to access the unit web page by using their normal university User Name/Password. If you need access assistance ring 9850 4357 or 1800 063 191

IV. Learning Outcomes in ECON828 Second Semester

This unit provides students with a range of analytical tools and relevant research skills for international investments and modern risk management systems. The globalization of financial markets offers opportunities but it also entails new and enhances existing risks. As a response, novel investment techniques and market as well as credit risk management models have been introduced or are in the development stage. This unit helps you manage, and keep abreast of, changes which will accompany you in your future professional career.

Generic Skills: Naturally, dealing with advanced material in our subject area requires a range of generic skills. This unit aims at developing and honing such skills. The Lectures and in particular the Case Studies are tailored to develop and enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills. Class discussions hone verbal expression while contributions to the *Bulletin Board* improve your email-writing dexterity which serves as an increasingly important communication medium. However, you will only acquire these skills by attending classes, immersing yourself into the solving of the Case Studies and Exercises and participating in verbal and written class debates.

Soft Skills: Success in life, including in its study/professional facets, depends importantly on your so-called soft skills in areas such as oral/written communications, teamwork, self-motivation, ethics, leadership and interpersonal abilities. By joining a **study group** and by participating in other relevant aspects of the unit, you are creating opportunities for the acquisition of these important skills.

V. Learning Outcomes and Assessment

The **Lectures** provide the bulk of the critical input into the learning process. **Exercises** and **Case Studies** in conjunction with their solutions allow students to assess their output during the semester. Students are encouraged to solve them on their own or as part of a study group. They provide timely feedback so that adjustments to study patterns may be made. The final

examination is based on the material presented in the Lectures, the Exercises and Case Studies.

Assessment: The assessment for the unit consists of the following two components:

- Each student has to prepare and submit on the stated date an essay of about 3000 words which is worth 30%. Assessment details will be provided for the Essay in a separate hand-out.
- The 3-hour **Final Examination** is worth the remaining 70%. It consists of 50 multiple choice questions and 5 essay-type questions of which two have to be answered.
Note, students have to pass the Final Examination to pass the unit.

Summary of Assessment

Essay	30%
Final Examination	<u>70%</u>
Total	100%

VI. Plagiarism

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

VII. University Policy on Grading

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardized numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realize that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

For an explanation of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>.