A. Outline

Part I: International Financial Markets, Models and Parity Conditions

Chapter 1: International Currency Markets
Chapter 2: Interest Rate Parity, Arbitrage
Chapter 3: Effective Exchange Rates and Purchasing Power Parity
Chapter 4: Models of Exchange Rate Determination

Part II: Foreign Currency Derivatives

Chapter 5: Currency Swaps
Chapter 6: Foreign Currency Futures
Chapter 7: Foreign Currency Options

Part III: Foreign Exchange Risk Measurement and Management

Chapter 8: Foreign Currency, Country and Political Risks
Chapter 9: Management of Foreign Currency Risk Exposure
Chapter 10: Value-at-Risk Management Models
Chapter 11: Forecasting Foreign Exchange Rates

Part IV: Foreign Investment Projects and Risk

Chapter 12: International Capital Budgeting and Real Options
Chapter 13: International Taxation and Investments

B. Assessment

Students are assessed on the basis of

- an Essay (2000 word-limit) which is worth 20% of final assessment. The firm due date is 15. 10. 2003
- a final examination. The final examination consists of 60 multiple-choice questions and one essay-type question (out of three) each consisting of part a) and b). The weight of the multiple choice part of the final is 2/3 and that of the essay-type question 1/3.
Exercises will accompany the lecture; they are to be done outside class time.

C. Textbooks

The course material will be supported by the following textbooks:


<table>
<thead>
<tr>
<th>Chapters/Weeks</th>
<th>Topics</th>
<th>Textbooks Chapters:</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>DJJ: D. J. Jüttner, <em>op.cit.</em></td>
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<td></td>
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<td>ACS: A.C. Shapiro, <em>op.cit.</em></td>
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<tr>
<td>1 W1</td>
<td>International Currency Markets</td>
<td>DJJ: Ch2; ACS: Ch17</td>
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<tr>
<td>2 W1, 2</td>
<td>Interest Rate Parity, Arbitrage</td>
<td>DJJ: Ch3; ACS: Ch4</td>
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<tr>
<td>3 W3</td>
<td>Effective Exchange Rates and Purchasing Power Parity</td>
<td>DJJ: Ch3; ACS: Ch4</td>
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<td>4 W4</td>
<td>Models of Exchange Rate Determination</td>
<td>DJJ: Ch21</td>
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<td>5 W5</td>
<td>Currency Swaps</td>
<td>DJJ: Ch210; ACS: Ch9</td>
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<td>6 W5</td>
<td>Foreign Currency Futures</td>
<td>DJJ: Ch16; ACS: Ch8</td>
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<td>7 W6</td>
<td>Foreign Currency Options</td>
<td>DJJ: Special Notes; ACS: Ch8</td>
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<td>8 W7</td>
<td>Foreign Currency, Country and Political Risks</td>
<td>DJJ: Ch13; ACS: Chs 9 and 17A</td>
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<td>9 W8</td>
<td>Management of Foreign Currency Risk Exposure</td>
<td>DJJ: Ch14; ACS: Chs10 and 11</td>
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<td>10 W9</td>
<td>Value-at-Risk Management Models</td>
<td>DJJ: Ch15</td>
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<td>11 W10</td>
<td>Forecasting Foreign Exchange Rates</td>
<td>DJJ: Ch22; ACS: Ch4.7</td>
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<td>12 W11, W12</td>
<td>International Capital Budgeting and Real Options</td>
<td>DJJ: Ch25; ACS: Chs 14 and 17</td>
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<tr>
<td>13 W13</td>
<td>International Taxation and Investments</td>
<td>DJJ: Ch23</td>
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</tbody>
</table>

Other relevant textbooks:


**D. Lecturing Arrangements**

Dr Kim Hawtry: Chapters 1 – 6
Professor DJ Jüttner Chapters 7 – 13

*All relevant general course material will be placed on the Internet:*

*Notes for the lectures by Professor Jüttner may be downloaded at:*
www.econ.mq.edu.au/courses/econ867/

*Access to downloadable course material is restricted to students enrolled in the unit.*