Macquarie University  
Division of Economic and Financial Studies  
ECON828 International Investment and Risk  
2002  

Brief Outline and Course Requires  

Contact Information  
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Lecture venue: E7B 100  
Lecture times: Thursday 6-9 pm  

Overview  
This course is concerned principally with the environment in which global investment activity takes place. We will analyse the range of investment instruments and structures facing firms and banks, the tax environment in which they participate, the nature of the risks faced, the means for mitigating those risks, and the nature of the global financial architecture in which these activities take place.  

The delivery format will consist primarily of lectures, with discussions of how the various aspects of the lectures are being played out in the world around us.  

Course Outline - Topics  
1. Introduction  
2. Global Financial Architecture  
3. Foreign Exchange Rate Modelling and Forecasting  
4. International Capital Budgeting and Real Options  
5. International Cost of Capital  
6. Foreign Direct Investment  
7. International Portfolio Investment  
10. Global Credit Risk Modelling  
11. International Taxation and Investments  

While reference texts are listed below, this course will draw from material in several texts as well as the academic literature and financial press. The reference texts and a list of readings associated with each topic are provided below. Additional readings may be provided from time to time to supplement this list. Brief lecture notes will be
made available, but students are advised to take notes during lectures to supplement those provided.

**Assessment**

The assessment for this course will consist of an essay, worth 25%, a mid-semester test worth 20%, and a final examination, worth 55%. The details of the requirements for the essay are provided on a separate sheet. The mid-semester test and final exam will consist of a mixture of multiple choice and essay-type questions. The mid-semester test will be held in class during week 7, September 12.

**References**

Lectures will draw most heavily from the first three listed text references, as well as additional articles, reports, and papers. Where applicable, the appropriate chapter from each of these three books will be listed below for each topic area, along with additional references. The remaining reference texts are listed to provide additional resources.


Topic Readings

1. Introduction

2. Global Financial Architecture

Solnik, Chapter 1
Moosa, Chapters 2, 3, and 5
Juttner, Chapters 1 and 28


3. Foreign Exchange Rate Modelling and Forecasting

Solnik, Chapters 2 and 3
Moosa, Chapters 12, and 13
Juttner, Chapters 21 and 22


4. International Capital Budgeting and Real Options

Juttner, Chapter 25
Shapiro, Chapter 21
Eiteman, et.al., Chapter 18


5. International Cost of Capital
Shapiro, Chapter 18
Moosa, Chapter 19
Juttner and Hawtrey, Chapters 16 and 17

6. Foreign Direct Investment
Moosa, Chapter 20
Juttner, Chapter 26
Shapiro, Chapter 20

7. International Portfolio Investment
Solnik, Chapters 4 and 5
Moosa, Chapters 18 and 19
Juttner, Chapter 24

Solnik, Chapter 16
Moosa, Chapter 14
Juttner, Chapter 13

Solnik, Chapter 14
Moosa, Chapter 15
Juttner, Chapter 14

10. Global Credit Risk Modelling
Moosa, Chapter 14, section 14.7
Juttner, Chapter 15
Juttner and Hawtrey, Chapters 31 and 32

11. International Taxation and Investments
Moosa, portions of Chapters 19 and 20
Juttner, Chapter 23