

## Division of Economic and Financial Studies

### Unit Outline

### ECON828 International Investment and Risk First Semester 2005

### ECON828 International Investment and Risk

4 Credit Points

#### I. Unit Outline

This course is mainly concerned with the analysis of return, risk, financial risk management, taxation of international bond and share investments and foreign direct investment. An up-to-date discussion of Basel II, the new global risk management system for banks, complements the analysis of financial risks in other units. While the bulk of the weekly meetings consists of lectures and the analysis of Case Studies, we will have ample opportunity for discussions of specific topics, issues and problems. The lecture topics are:

- Chapter 1: Global Bonds, Bond Markets and Bond Valuations
- Chapter 2: Term Structure of Global Interest Rates
- Chapter 3: Global Bond Portfolio Management
- Chapter 4: Credit Risk Ratings of Bonds, their Evaluations and International Bond Defaults
- Chapter 5: Basel II and Beyond – Modelling Credit Risk Capital Requirements
- Chapter 6: Credit Derivatives
- Chapter 7: International Cost of Capital
- Chapter 8: International Capital Budgeting and Real Options
- Chapter 9: Capital Asset Pricing Models and Multifactor Models – A Refresher
- Chapter 10: International Portfolio Investment
- Chapter 11: Hedging of International Equity and Bond Portfolios using Currency Forwards and Futures
- Chapter 12: Hedging of International Equity and Bond Portfolios using Stock Index Futures and Options
- Chapter 13: Foreign Direct Investment

#### II. Teaching Staff

Professor D. J. Jüttner

- Consultation Hours:  
Wednesday 9-12am and  
before and after ECON828 lectures in CSC 308
- Tel. 9850 8481
- Fax 9850 8586
- Email [djuttner@efs.mq.edu.au](mailto:djuttner@efs.mq.edu.au)
- Homepage [www.econ.mq.edu.au/staff/djuttner.htm](http://www.econ.mq.edu.au/staff/djuttner.htm)

Questions, suggestions and discussions are to be channelled through the **Bulletin Board** on the unit's home page [http://online.mq.edu.au/SCRIPT/ECON828/scripts/serve\\_home](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.

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 teaching staff in the unit.

The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/> For Dates see separate handout.

### 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 chapter-specific recommended readings. Compact lecture notes will be made available to students in hard copies and/or the unit home page. They also contain the relevant references for each Chapter.

**Unit Web Page:** [http://online.mq.edu.au/SCRIPT/ECON828/scripts/serve\\_home](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 First 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, change 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 participating in verbal and written class debates.

### V. Learning Outcomes and Assessment

The Lectures provide the bulk of the critical input into the learning process. Case Studies assess the students' output during the semester. They provide timely feedback so that adjustments to study patterns may be made.

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

- Each student has to prepare and submit on the stated dates five **Case Studies** of about 500 words which are worth 69% each. Assessment details will be provided for each Case Study. These exercises will be marked and returned to students as *valuable and timely feedback*. The case studies are designed to develop and hone your (research) report-writing skills. Failure to hand in any of the Case Studies on time attracts a penalty of 3 percentage points; not handing in a Case study results in a penalty of 5 percentage points.
- 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.** However, for the final mark the results of the Case Studies are taken into account.

|   |             |
|---|-------------|
| <i>Summary of Assessment</i>                  |             |
| Five Case Studies at 6 percentage points each | 30%         |
| Final Examination                             | 70%         |
| <b>Total</b>                                  | <b>100%</b> |

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

Please also remember that if you have not had any exposure in your previous studies to International Finance, you should not enrol in this unit but instead in *ECON867 International Financial Management* which is the facto a prerequisite for ECON828.