GLOBAL FINANCE
FRE6671 Fall 2018
Tandon School of Engineering
New York University

Unurjargal Nyambuu

Department of Finance and Risk Engineering

Email: un217@nyu.edu
Office hours: by appointment

Class Meets: Tuesdays 2:00 - 4:41PM
Location: RGSH_339

Course Description

The level of economic and financial globalization combined with the growth of multinational firms and virtual firms with no boundaries may have altered the future of finance and its risk engineering. The purpose of this course is to focus attention on the essential elements that both large financial firms and institutions are confronting worldwide, the challenges of national and international financial investments, currencies speculations and investments, regulation as well as managing risks in a strategic and macroeconomic environment. Thus, we will discuss strategic and macro-political and economic issues in global finance, analyze global financial system and emphasize its implications of exchange rate regimes. In addition, different approaches including monetary models and asset based models to the determination of the exchange rate will be thoroughly covered.

This course sets up a coherent, economic and risk finance framework to some of the issues that are derived from such a changing world. Due to the complexity of these issues, the course will consider first some of the strategic issues to be confronted by global finance. The effects of foreign exchange volatility, global financial portfolio, over-borrowing and risk management are emphasized. We discuss the impact of globalization of financial markets assessing its effect on the risk to national financial markets highlighting national risk exposure and financial stability. Is globalization benign or toxic? The course orientation is both introductory and strategic to the issues that we may be confronting in global finance. It will encourage students to pursue specific lines of thoughts in a specialized manner.

Course grading:

Research Paper and Presentation: 40% of final grade
Final Exam: 60% of final grade

Students are expected to:

Students are required to attend all classes and focus on a specific problem/topic for the research paper and presentation. Apply your understanding of the concepts, methods and applications of evaluation research to an appropriate variety of real-world scenarios. The paper must be presented on scheduled date. Each topic has to be approved by the professor in advance. For example, topics can cover issues such as: The US-China Exchange Rate Conundrum and Trade Policy; Managing Risks in a Global Equity Finance Hedge Fund; Financial Global Indexes; BREXIT and its Implications for Global Finance; Political Change and Financial Risks; Trade and Currencies Wars; Global Imbalances and the Financial Crisis; Twin Deficits and Sustainability; Modeling and Estimating Foreign Exchange Rate and Its Volatility; Exchange Rate and Capital Outflows from China; Outsourcing Economics and Finance. Students must post their Power Point presentations with proper citations and references on NYU Classes. Details will be discussed in class and directions will be provided.

Notes:

(1) You should frequently check emails. **Email subjects** should always include “Global Finance”.
(2) This syllabus is subject to change. Please check the course announcements frequently.
(3) The use of cell phone is not allowed in class.

This syllabus is changed on 6/8/2018 and is subject to modification.

Course Lectures Outline

1. **Introduction to the Course**
    - 1.1. Globalization
    - 1.2. World Economic Growth and Financial Development
    - 1.3. Global and Risk Finance
2. **Strategic and Macro-Political and Economic Issues in Global Finance**
    - 2.1. Balance of Payments (BOP) and Its Relation to Exchange Transactions
    - 2.2. Foreign Direct Investment and Mergers and Acquisitions
    - 2.3 Multiplier Analysis
    - 2.4. Role of Reserve Currency and Foreign Exchange Reserves
    - 2.5. International Investment Position (IIP)
3. **Global Financial System, Exchange Rate Volatility, Exchange Rate Regimes**
    - 3.1. FX Markets and Trading
    - 3.2. Modelling Exchange Rate Volatility
    - 3.3. Exchange Rate Regimes
    - 3.4. International Banking
    - 3.5. Central Bank's Intervention in the FX Market
4. **Monetary Approach Models and PPP**
    - 4.1. Trade Flow Model
    - 4.2. Spot Markets for Foreign Currency (The Law of One Price)
    - 4.3. Purchasing Power Parity (PPP) theory
    - 4.4. Monetary approach to the Exchange Rate Determination
    - 4.5. Fisher effect, Interest Rates, and Inflation
5. **Asset Approach Models and Mundell-Fleming Model**
    - 5.1. Asset Approach to the Exchange Rate Determination
    - 5.2. International Interest Rate Parity, and Validity of UIP
    - 5.3. Policy Implications of the Mundell-Fleming Model, IS-LM-BOP
    - 5.4. Dornbusch Overshooting Model
    - 5.5. Other Macro Models
6. **External Debt Sustainability and Debt Crisis**
    - 6.1. Purpose of Borrowing, Borrowing Cost
    - 6.2. Risk Premium, FX Risks, Default Risk
    - 6.3. Excess Borrowing, Optimal Debt, and Debt Burden
7. **Review and Applications of Financial Assets Pricing and Currencies-FX Pricing**
    - 7.1. CCAPM Approaches and FX
    - 7.2. International Investment and Debt Pricing
    - 7.3. Currency Derivatives (FX Futures, Swaps)
    - 7.4. Defining and Computing the "Greeks" in an International Environment

Recommended Consulting Texts:

U. Nyambuu and C. Tapiero, "Globalization, Gating, and Risk Finance". England: Wiley. 2018.
G. Gandolfo, "International Finance and Open Economy Macroeconomics". Springer, 2000.
M. Obstfeld and K. Rogoff, "Foundations of International Macroeconomics". The MIT Press, 1996.
M.Melvin and S.Norrbin, "International Money and Finance". 8th Ed, Elsevier Press, 2013.
C. Tapiero, "Engineering Risk and Finance". Springer, 2013.

In addition to the suggested text, you will need to read research papers, articles, and specific chapters from the optional textbook and readings.

This syllabus is changed on 6/8/2018 and is subject to modification.