

City University of Hong Kong
Course Syllabus

offered by Department of Economics and Finance
with effect from Semester A in 2024/25

Part I Course Overview

Course Title: International Finance

Course Code: EF5406

Course Duration: 1 semester

Credit Units: 3

Level: P5

Medium of Instruction: English

Medium of Assessment: English

Prerequisites:
(Course Code and Title) Nil

Precursors:
(Course Code and Title) Nil

Equivalent Courses:
(Course Code and Title) Nil

Exclusive Courses:
(Course Code and Title) Nil

Part II Course Details

1. Abstract

The aim of this module is to provide students with an understanding of international arbitrage relationships, models of exchange rate determination, and recent issues and debates in the international finance literature. Particular attention is devoted to the description of the basic international parity relationships and the models of exchange rate determination. Furthermore, current issues in international financial markets will be introduced with the aim of critically evaluate the empirical literature on international finance puzzles.

2. Course Intended Learning Outcomes (CILOs)

(CILOs state what the student is expected to be able to do at the end of the course according to a given standard of performance.)

No.	CILOs	Weighting (if applicable)	Discovery-enriched curriculum related learning outcomes (please tick where appropriate)		
			A1	A2	A3
1.	Explain the basic international arbitrage relationships and explain why deviations from these may occur.	-	√	√	
2.	Justify and apply some of the basic models of exchange rate and current account determination.	-	√	√	
3.	Discuss some of the recent issues in international finance, such as global imbalances and international capital market integration.	-	√	√	
4.	Discuss the empirical literature related to the fundamental debates on international finance puzzles.	-		√	√
		100%			

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

3. Learning and Teaching Activities (LTAs)

(LTAs designed to facilitate students' achievement of the CILOs.)

LTA	Brief Description	CILO No.				Hours/week (if applicable)
		1	2	3	4	
Lectures	Students will engage in formal lectures to gain fundamental concepts in international finance and macroeconomics.	√	√	√	√	2 hours/week
Econometrics Workshop	Students will participate in economic data analysis and economic model estimation by using state-of-the-art software and do their independent empirical research.		√		√	0.5 hours/week
Homework Assignment	Students will apply econometric methods to investigate the statistical properties of exchange rates and other macroeconomic variables and test relationships implied by economic theory.	√	√	√	√	
Paper Presentation	Students will present a published research paper related to this course in class.			√	√	0.5 hours/week
Term Project	Students will participate in a group of three to five people to write a 10-page empirical paper on international financial markets and/or exchange rates. Specific topics in the empirical study on exchange rates include, for example, exchange rate forecast, real and nominal exchange rates, purchasing power parity, and uncovered interest parity puzzle. The analysis should be based on data-driven facts, advanced econometrics tools, and economic principles.	√	√	√	√	

4. Assessment Tasks/Activities (ATs)

(ATs are designed to assess how well the students achieve the CILOs.)

Assessment Tasks/Activities	CILO No.				Weighting	Remarks
	1	2	3	4		
Continuous Assessment: 50%						
Homework Assignment	√	√	√	√	10%	
Paper Presentation			√	√	10%	
Term project	√	√	√	√	30%	
Examination: 50% (duration: 2 hours, if applicable)						
Final examination	√	√	√	√	50%	
					100%	

5. Assessment Rubrics

(Grading of student achievements is based on student performance in assessment tasks/activities with the following rubrics.)

Applicable to students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter

Assessment Task	Criterion	Excellent (A+, A, A-)	Good (B+, B, B-)	Fair (C+, C, C-)	Marginal (D)	Failure (F)
1. Homework Assignment		Excellent ability to apply appropriate econometric methods to test economic theories.	Good ability to apply appropriate econometric methods to test economic theories.	Adequate ability to apply appropriate econometric methods to test economic theories.	Marginal ability to apply appropriate econometric methods to test economic theories.	Inadequate ability to apply appropriate econometric methods to test economic theories.
2. Paper Presentation		Excellent ability to understand and articulate and critically assess recent developments in the literature.	Good ability to understand and articulate and critically assess recent developments in the literature.	Adequate ability to understand and articulate and critically assess recent developments in the literature.	Marginal ability to understand and articulate and critically assess recent developments in the literature.	Inadequate ability to understand and articulate and critically assess recent developments in the literature.
3. Term Project		Excellent ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Good ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Adequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Marginal ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Inadequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.
4. Final Exam		Excellent ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Good ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Adequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Marginal ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Inadequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Applicable to students admitted from Semester A 2022/23 to Summer Term 2024

Assessment Task	Criterion	Excellent (A+, A, A-)	Good (B+, B)	Marginal (B-, C+, C)	Failure (F)
1. Homework Assignment		Excellent ability to apply appropriate econometric methods to test economic theories.	Good ability to apply appropriate econometric methods to test economic theories.	Marginal ability to apply appropriate econometric methods to test economic theories.	Inadequate ability to apply appropriate econometric methods to test economic theories.
2. Paper Presentation		Excellent ability to understand and articulate and critically assess recent developments in the literature.	Good ability to understand and articulate and critically assess recent developments in the literature.	Marginal ability to understand and articulate and critically assess recent developments in the literature.	Inadequate ability to understand and articulate and critically assess recent developments in the literature.
3. Term Project		Excellent ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Good ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Marginal ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.	Inadequate ability to identify a knowledge gap in the literature and make an effort to alleviate it using appropriate econometric methods.
4. Final Exam		Excellent ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Good ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Marginal ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.	Inadequate ability to explain key arbitrage relationships, analyse factors determining exchange rates and current account based on economic theory, and critically evaluate the literature.

Part III Other Information (more details can be provided separately in the teaching plan)

1. Keyword Syllabus

(An indication of the key topics of the course.)

Current Account Determination, Covered Interest Parity, Uncovered Interest Parity, Purchasing Power Parity, Exchange rate theories, Foreign Exchange Risk, Exchange Rate Determination, Real Exchange Rates, Unit Roots and Cointegration

2. Reading List

2.1 Compulsory Readings

(Compulsory readings can include books, book chapters, or journal/magazine articles. There are also collections of e-books, e-journals available from the CityU Library.)

1.	Sarno, L. and Taylor, M.P. (2003), <i>The Economics of Exchange Rates</i> , Cambridge University Press.
2.	Schmitt-Grohe Stephanie, Martin Uribe and Michael Woodford (2015), <i>International Macroeconomics</i> , Columbia University

2.2 Additional Readings

(Additional references for students to learn to expand their knowledge about the subject.)

1.	Richard M. Levich (2001), <i>International Financial Markets: Prices and Policies</i> , 2nd Edition, McGraw-Hill
2.	Mark, Nelson (2001), <i>International Macroeconomics and Finance</i> , Theory and Econometric Methods, Blackwell Publishers.
3.	Uribe, Martin and Stephanie Schmitt-Grohe (2015). <i>Open Economy Macroeconomics</i> , Columbia University

Additional readings, including published papers in academic journals, will be provided in lectures as the module progresses.