Course Description: Introduction to foreign exchange, interest rate risk, arbitrage, spot and forward markets and hedging.

Prerequisites: BAA 609.

Instruction Method: Lecture, assigned readings and cases, assigned problem sets. All assigned readings should be completed before the date for which they are scheduled.


This book is the more applied successor of International Financial Markets and the Firm by Piet Sercu and Pamann Uppal. The latter text gives a more mathematical treatment of many of the issues covered in the course. In addition, a student may wish to consult international economics text such as International Economics by Steven Husted and Michael Melvin.

Computer Skill Requirement: Students should have access to MS Excel and possess a basic familiarity with spreadsheet tools.

Office Hours: Tuesday: 3:30 - 6:00 pm, 10:15 - 11:00 pm. Wednesday 10:30 -11:30 am. Office is B&E 256. I am in the office almost every day and am available to meet at other times as well. In general, I prefer to answer subject matter questions in person or over the phone rather than via email. Office phone is 678-547-6164. Email address is Tutterow_RC@mercer.edu

Attendance Policy: Attendance is left to the student's discretion. Since a substantial portion of examination material is drawn from topics as developed in class, students should realize that it is highly unlikely that a student will earn a passing grade if he/she does not attend classes regularly. Further, neither class time or office hours will be dedicated to correct deficiencies induced by poor attendance.

Make-up Examinations: On very rare occasions, make-up examination may be granted by prior permission of the instructor. These examinations are granted solely at the instructor’s discretion.

Grading Policy: Final grades are determined by performance on two exams (weighted evenly). The traditional grading scale applies: A (90-100), B+ (85-89), B (80-84), C+ (75-79) C (70-74), D (60-69), F (below 60). However, final grades may be curved at the instructor’s discretion.

Incomplete Policy: Incompletes are awarded at the instructor's discretion.

36-hour Rule: The instructor does not answer questions about examinations, assignments or subject matter within 36 hours of examination.

Withdrawal Policy: Any student withdrawing on or before June 18th will receive a grade of "W". Any students withdrawing after June 18th will receive a grade of "F".

Honor Code: Mercer University Atlanta expects each and every student to maintain the highest principles of academic honesty and integrity. Violations of academic honesty represent a breach of the University's expectations and will be regarded as a serious matter. Violations include, but are not limited to, plagiarism, cheating, lying, and stealing. All violations will automatically result in a zero on the assignment in question.
Inclement Weather: If severe weather occurs, classes will be canceled in accordance with the Associate Provost’s decision of Mercer-Atlanta. Call the Mercer weather phone for information about class cancellations 678-547-6111 (Atlanta) or listen to WSB 750 AM.

Disability Statement: Students with a documented disability should inform the instructor at the close of the first class meeting. You are then referred to Rich Stilley, Assistant Dean for Campus Life for consultation regarding evaluation, documentation of your disability, and recommendations for accommodation, if needed. The office is located in Sheffield 212 and Mr. Stilley’s phone number is 678-547-6823.

Course Outline: This tentative outline suggests approximate dates and does not constitute a contract. While every attempt will be made to adhere to this outline, instructor reserves the right to change this schedule as needed.

May 25
Introduction to International Finance

REQUIRED READINGS
Sercu, Chapter 2

OPTIONAL READINGS
http://en.wikipedia.org/wiki/Exchange_rate_regime

June 1
Spot Markets, PPP
Intro to Forward Markets & IRP

REQUIRED READINGS
Sercu, Chapter 3-4

OPTIONAL READINGS
http://en.wikipedia.org/wiki/Purchasing_power_parity
http://en.wikipedia.org/wiki/Interest_rate_parity

June 8
IRP and Covered Interest Arbitrage

REQUIRED READINGS
Sercu, Chapter 4-5

OPTIONAL READINGS
http://en.wikipedia.org/wiki/Covered_interest_arbitrage
http://en.wikipedia.org/wiki/Carry_trade#Currency
http://www.roubini.com/roubini-monitor/257912/mother_of_all_carry_trades_faces_an_inevitable_bust
June 15
MIDTERM EXAMINATION
Currency Futures Markets

REQUIRED READINGS
Sercu, Chapter 6

OPTIONAL READINGS
http://en.wikipedia.org/wiki/Futures_contract

June 22
Futures Markets and Hedging
Swaps Market

REQUIRED READINGS
Sercu, Chapter 6-7

OPTIONAL READINGS
http://en.wikipedia.org/wiki/Swaps

June 29
Currency Options #1

REQUIRED READINGS
Sercu, Chapter 8

OPTIONAL READINGS

July 6
Currency Options #2

REQUIRED READINGS
Sercu, Chapter 9

July 13
FINAL EXAMINATION
SPECIAL TOPICS