Understanding International Finance, the Global Economy, and Exchange Rates
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SHORT COURSE DESCRIPTION
Exchange rates, foreign currency and international finance are essence in the global economy. Government repays overseas debt, companies make contracts on exporting/importing goods with foreign ones and fund managers invest clients’ money in overseas assets. All these economic activities are ultimately related to foreign exchange risk. Therefore, we will face serious economic losses without understanding international finance. This motivates us to study international finance.

This course assumes that attended students have no background in finance and starts by introducing students to the foundations of financial theory. Students then learn the foundations of international finance focusing on foreign exchange rates. This course further introduces more advanced topics such as international asset pricing and currency risk management which are being actively used in the real world.

In addition, students acquire skills in data analysis using Excel with Visual Basic for Applications. This exercise is very useful for students not only to prepare for their group works in this class, but also to do empirical analysis in both academics and industry.

READING MATERIALS
Students will receive lecture slides and PC exercises. Preparation sheets will be posted in advance of each session, outlining the intended learning outcomes, required readings and questions for discussion. Students are encouraged and expected to actively participate in class.

Recommended textbooks for self-study:

Buying a textbook is not necessary as this lecture uses lecture notes. But if you want a further study, I recommend reading CWS and SM.

COURSE REQUIREMENTS AND GRADING
The course involves a combination of lectures and computer exercises. Each class will begin with lectures (1.5hr), followed by computer exercises (1hr). The final week will be spent for assessments including a final exam and group presentations.

Students should bring their laptops to class for computer exercises. Excel should be installed in the laptops. Grades will be based on class participation, a final exam and a group presentation. Marks will be allocated using the following scheme:
- Attendance: 20%
- Final Exam: 40%
- Presentation: 40%

Note: All ISS classes are pass/fail based on the student academic achievement evaluated by grades on
a scale of 100 points (grade of 60 or above is Pass). SKKU regulations require students to attend at least 80% of all classes.

COURSE SCHEDULE

– WEEK I –

**Part I: Foundations of Finance**

**Tuesday (26 June)**
*Capital Markets, Consumption and Investment*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 1.*

**Wednesday (27 June)**
*Mean-Variance Portfolio Theory I*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 5.*

**Thursday (28 June)**
*Mean-Variance Portfolio Theory II*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 5.*

**Friday (29 June)**
*Mean-Variance Portfolio Theory III*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 5.*

– WEEK II –

**Monday (2 July)**
*Capital Asset Pricing Model I*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 6.*

**Tuesday (3 July)**
*Capital Asset Pricing Model II*
*Computer Exercise: Financial Modelling using Excel with VBA*
*CWS Ch 6.*

**Part II: Foundations of International Finance**

**Wednesday (4 July)**
*Currency Exchange Rates I*
*Computer Exercise: Financial Modelling using Excel with VBA*
*SM Ch 1.*

**Thursday (5 July)**
*Currency Exchange Rates II*
*Computer Exercise: Financial Modelling using Excel with VBA*
Monday (9 July)
*International Diversification I*
*Computer Exercise: Financial Modelling using Excel with VBA*
*SM Ch 8.*

Tuesday (10 July)
*International Diversification II*
*Computer Exercise: Financial Modelling using Excel with VBA*
*SM Ch 8.*

Wednesday (11 July)
*International Asset Pricing Model I*
*Case Study 1*
*SM Ch 4.*

Thursday (12 July)
*International Asset Pricing Model II*
*Case Study 2*
*SM Ch 4.*

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**Part III: Assessments**

Monday (16 July)
Final Exam

Tuesday (17 July)
Group presentations

Wednesday (18 July)
Group presentations

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