**International financial and foreign exchange markets**

**Tentative Schedule**

**Giuseppe Schlitzer** (Head of the course), **Arianna Ziliotto**

Spring Term, A.Y. 2018-2019

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| **Date** | **Topic** |
| 18/02/2019  15:00-18:00 | **Overview of the course** (G. Schlitzer)  **International finance - An introduction** (G. Schlitzer)  *A look at the main players and issues in international finance (institutional investors, central banks and regulators, rating agencies, Bretton Woods Institutions, stock and foreign exchange markets, etc.)* |
| 25/02/2019  09:00-12:00 | **International finance and the global economy** (A. Ziliotto)  *The growing importance of international financial flows with a focus on spot FX markets (main players – direct interbank market vs indirect brokerage market –, settlement – CHIPS & CLS –, quoting conventions –* *American vs European quotation –, reciprocal and cross rates – triangular parity and triangular arbitrage conditions: theory and practical examples–)*  **Textbook chapters: I, II** |
| 04/03/2019  09:00-12:00 | **FX markets: between theory and daily practice** (A. Ziliotto)  *A deeper focus on FX market dynamics (a further insight into quoting conventions: the bid-ask spread – practical examples –). An introduction to the forward FX market: technical features, quoting conventions and payoff profile*  **Textbook chapters: II, III** |
| 11/03/2019  09:00-12:00 | **The relationship between spot, forward and money market rates** (A. Ziliotto)  *The CIRP and its deviations: theory and practical examples (including bid-ask spread, transaction costs, etc.). How to construct synthetic securities using spot and forward contracts with borrowing and lending (I part)*  **Textbook chapter: VI** |
| 18/03/2019  15:00-18:00 | **International finance and Macroeconomic Policies (**G. Schlitzer)  *The role of monetary, fiscal and exchange rate policies in an open economy setting* |
| 25/03/2019  09:00-12:00 | **Currency futures and options** (A. Ziliotto)  *Technical features, quoting conventions and payoff profiles. Currency forwards vs currency futures (settlement and marking-to-market risks). Different instruments for different needs: what are forwards, futures and options used for? Constructing synthetic instruments (II part)*  **Textbook chapter: IV** |
| 01/04/2019  09:00-12:00 | **FX parity conditions and their deviations – I** (A. Ziliotto)  *The Law of One Price, the PPP (Absolute and Relative versions) and the concept of real exchange rate (theory and practical examples). The CIRP, the UIRP (together with the related Fisher effect) and the Forward Rate Unbiased (both theory and examples)*  **Textbook chapters: V, VI** |
| 08/04/2019  09:00-12:00 | **FX parity conditions and their deviations – II** (A. Ziliotto)  *Do the PPP and the IRPs hold in practice? Delving into the available empirical evidence*  *“To put it into practice” Session*  **Textbook chapters: V, VI** |
| 15/04/2019  15:00-18:00 | **Exchange Rate Regimes in Historical Perspective and the Role of the IMF (**G. Schlitzer)  *A brief history of international finance from the gold standard to the recent financial*  *crisis. The role of the IMF and the debate about fixed vs flexible exchange rates*  **Textbook chapter: XI, XII** |
| 17/04/2019  09:00-12:00 | **The Balance of Payments (quick recap from a financial perspective) and the models of exchange rate determination** **–** **I** (A. Ziliotto)  *The flow and the stock models*  **Textbook chapters: VII, VIII, IX** |
| 29/04/2019  09:00-12:00 | **The Balance of Payments (quick recap from a financial perspective) and the models of exchange rate determination** **–** **II** (A. Ziliotto)  *The flow and the stock models*  **Textbook chapters: VII, VIII, IX** |
| 06/05/2019  09:00-12:00 | **Working within an international context: arising risks, available mechanisms for hedge and regulatory implications – I** (A. Ziliotto)  *The difference between risk and exposure. How to compute exposures and to evaluate risks, with a major focus on FX risk, country risk and operational risk (theory and practice). Available hedging techniques: theoretical overview and practical insights into daily market activity. Regulatory implications for financial institutions: the Basel III framework and capital requirements for regulated financial entities*  **Textbook chapters: XIII, XIV, XV** |
| 13/05/2019  09:00-12:00 | **Working within an international context: arising risks, available mechanisms for hedge and regulatory implications – II** (A. Ziliotto)  *The difference between risk and exposure. How to compute exposures and to evaluate risks, with a major focus on FX risk, country risk and operational risk (theory and practice). Available hedging techniques: theoretical overview and practical insights into daily market activity. Regulatory implications for financial institutions: the Basel III framework and capital requirements for regulated financial entities*  *“To put it into practice” Session*  **Textbook chapters: XIII, XIV, XV** |
| 20/05/2019  09:00-12:00 | **Portfolio Investment** (A. Ziliotto)  *Sources and sizes of the gains from diversified international portfolios*  **Textbook chapter: XVIII** |
| 27/05/2019  15:00-18:00 | **Financial crises. Causes and Possible Remedies** (G. Schlitzer)  *Financial instability and the rise of “systemic” financial crises. How they can be prevented. How they can be managed.* |

**Excluded textbook chapters**

XVI: Exchange rate forecasting and speculation

XIX: International dimension of capital budgeting

XX: The growth and concerns about multinationals

XXI: International dimensions of long-term financing

XXII: Multinational banking

XXIII: Instruments and institutions of international trade