

## International Finance

- Who I am
- Who you are: name sheet
- This introduction
  - First half
    - syllabus + course outline
    - why we should be here
    - basic finance principles – reminder
  - Second half: Why is International Finance special?

## Who I am

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- *US CFTC and US SEC disclaimers*

## Syllabus

- Prerequisites
- Course Objectives
- Materials
- Grading
  - Max[25% MT+30% Final *or* 30% MT+25% Final]  
+ 2\*20% (Group Assignments) + 5% (Class particip.)
  - Groups for cases
  - Honor code for all assignments

## Basic Finance Principles

Time is Money	Options have value, always	
Self Interest	Transaction? 2 parties	Market Efficiency
Risk Aversion	Diversification	Marginal Analysis

## This Course within Finance

- Finance
  - corporate finance
  - investment & portfolio management
  - market microstructure
- This course's main themes:
  - What are FX rates? How are currencies traded? (microstructure & investments)
  - Where do FX rates come from? (international economics)
  - Measuring + Hedging exchange rate risks (economics, corporate, banking & investments)
  - International financing & all-in cost of capital (corporate)
  - International diversification (investments; *as time allows*)

## Why Should We Be Here?

- Trading in financial assets is huge
  - global FX deriv. turnover: \$4 trillion per day (BIS survey, Sept. 2010)
    - was \$3.2 trillion/day (2007), 1.9trn/day (2004) & 1.21 trn/day (2001)
  - Notional on all OTC derivatives
    - Down to \$614 trillion (from \$683 trn in last 6 months of 2008; BIS, 2009Q4)
  - Notional on IR & currency swaps
    - exceeds \$426 trillion (as of 2H-2009; down from \$464 trn in 2H2008)
  - 94%+ of the world's top 500 companies use derivatives (ISDA, April 2009)
- Importance of theory
  - Computerization <-> experience vs. new situations
  - know the theory to know its limits
- International Finance is Special