

Syllabus

Summer PhD Course on International Finance (6 ECTS)

Course Director:

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Aim

The overall aim of this course is to enable doctoral students to learn both fundamentals and frontier knowledge in the area of international finance. The course therefore focuses on what drives movements in asset prices in international financial markets, and especially in currency returns. Students taking this course will be enabled to apply the acquired skills in the formulation of their own research questions in the field of international finance and exchange rate economics.

Course description and content

This course provides an overview of selected topics in international finance and with a specific focus on exchange rate economics and currency markets. Topics will include, among others:

- interest rate parity conditions and the currency risk premium;
- the stochastic discount factor for currencies;
- the behavior of the real exchange rate and fair value models of exchange rates;
- exchange rate management through official intervention;
- exchange rates during the Covid pandemic;
- modelling and out-of-sample forecasting of exchange rates;
- microstructural exchange rate models;
- the link between global imbalances, risk-bearing capacity and exchange rates.

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Target audience and learning outcomes

The course is intended for PhD students who have completed their core courses (macro, micro, econometrics, etc.) and for advanced practitioners. It could be considered a necessary "field course" for those interested in international macro and finance. The course should also be useful for students who completed an advanced (research) master (economics, finance, or related areas). Finally, the course is likely to be of interest to professionals in the investment industry (e.g., quants at HFTs, at hedge funds, or at buy-side institutions), or researchers in central banks or regulatory agencies. It will help them gain a deeper economic understanding of the determinants of exchange rates and the functioning of currency markets. It will further familiarize them with the econometric tools required to analyze currency returns and asset pricing. The ideal student is someone who intends to do research in this area. The course is self-contained.

Teaching and learning activities

The course is based on lectures. However, the lectures are not just deemed to be passive learning, and the audience will be engaged as much as possible to promote interaction between faculty and students that is regular and lively.

The course covers both theory and empirics. For each topic, the aim is to critically review the relevant literature and to present the current state of knowledge. To this end, the lectures will largely consist of overviews of the relevant literature, with a more detailed examination of some of the most recent research papers in the area. Although both theory and empirical work are covered, the course has a distinct empirical flavor, focusing primarily on testing theories and hypotheses about exchange rate behavior, and on modeling and forecasting exchange rates.

Examination

The course is examined through an individual take-home exam in the form of an individual essay. The deadline for submission is approximately one month after the lecture week. The assessment is Pass or Fail.

Readings and schedule Reading

A list of reading material will be made available about 1 month before the course starts.

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