

International Financial Markets and Cryptocurrencies

FNCE 219/719
Fall 2022

This class focuses on international aspects of financial markets and the effects of trends in technology, globalization, and regulation.

Currency exchange rates have a major impact on international transactions and on the environment businesses operate. The class studies the markets for foreign exchange. As the most liquid financial market, there are a variety of derivative contracts available on currencies such as forwards, futures, options, and swaps. The class provides in-depth perspectives on these.

For many firms, exchange rates are primarily viewed as risks affecting operational and financial positions that need to be managed. Currency risk management is one of the class' main focuses.

For investors, currencies as well as international equity and bond markets represent opportunities that complement domestic investments. The class studies currency investment strategies such as carry trades, momentum and fundamental approaches. The class considers the optimal exposures to international bonds, and the role of currency risks in international portfolios.

Cryptocurrencies are a potentially disruptive new type of financial instrument. The class studies these from a finance perspective.

The target audience includes financial officers, banking, consulting, and investors.

FNCE 219/719 builds on skills acquired in introductory finance, economics and statistics classes. However, some initial review of major concepts used is provided. The class format, for the most part, is lecture-based, with several case discussions. Class assignments are quantitative in nature.

Webpage: Canvas

Teaching Assistants:

Zhongtian Chen: chenzt@wharton.upenn.edu

Lorry Wu: shaolong@wharton.upenn.edu

Dongchen Zou: dczou@wharton.upenn.edu

Office hours (Zoom) starting week 2:

Marina Niessner: Wednesdays 10:45 to 11:45 am, or by appointment. ([Zoom link](#))

Zhongtian Chen: Tuesdays 4-5pm ([Zoom link](#))

Lorry Wu: Mondays 2-3pm ([Zoom link](#))

Dongchen Zou: Mondays 10-11am ([Zoom link](#))

Materials

- A customized eBook is available from <https://create.mheducation.com/shop/> by entering the ISBN #: “9781307741087” or “Marina Niessner” in the “Looking for New materials Area?”. Payment is by credit card and you will then get an email with the information about how to access the eBook. More detailed purchasing and downloading instructions for the eBook are available on the class webpage. If you encounter any issues purchasing the eBook, technical assistance is available at McGraw-Hill’s support line 1-800-331-5094, press 2, press 2 (Create), press 1.
- 2 chapters from the book *International Finance Theory into Practice* by Piet Sercu available under the "Course Materials @ Penn Libraries" tab on Canvas.
- 2 cases under Study.net
- Lecture notes, additional readings, assignments, homework questions and answers, and other material will be made available on the class webpage. You may want to print lecture notes beforehand and bring them to class.

Course Requirements

- **Mid-term Exams:**
 - Tuesday, October 4, during class time
 - Thursday, December 1, during class time

Each exam counts for **25%** of the final grade. Unexcused absences from exams will result in a zero score in the calculation of the final grade. Excused absences from exams require approval prior to the exam. Exams are closed book, but you may prepare a letter sized sheet (8.5 by 11-inch) with your notes (on both sides).

- **Two Group Assignments** count together for **15%** of the final grade. Each student is expected to join a project group consisting of 4 members. The project groups will jointly prepare and submit written assignments. The individuals constituting a group must remain the same over the semester. Instructions for how to sign up for your group on Canvas are available under “Assignments/Group Assignments/Sign up for your group.”

Assignments will be available on the class webpage at least one week before they are due and are submitted on Canvas. **LATE ASSIGNMENTS WILL NOT BE ACCEPTED.** The written assignments will be discussed in class and answers will not be distributed.

- **Four Individual Assignments** count for **20%** of the final grade. Individual assignments contain questions and problems that students work out and submit individually. I will drop the lowest grade of these assignments. I.e., only the top three individual assignment grades will count towards your final grade. **LATE ASSIGNMENTS WILL NOT BE ACCEPTED.**
- **Final Presentation and class participation** count together for **15%** of the final grade. The final presentation will be 5-10 minutes long. Your group will be expected to prepare a power-point presentation describing a company in the DeFi space. The companies are chosen on the first-come-first-serve basis.

Re-grading exams and graded assignments

Any request for re-grading must be submitted in writing within one week from the date the exams or assignments have been returned. The exam or assignment should be placed in my mailbox in the Finance Department or given to me in class.

Ed Discussion

Students often benefit from questions/answers by other students. To make this process more interactive, we will be using Ed Discussion (which replaces Piazza this year at Penn). You can enroll following this link: <https://edstem.org/us/join/3d2pK5> (it's also posted on the front page of Canvas). Instead of email, I ask that you submit questions about the course material or logistics over Ed. Ed is a forum, visible to everyone in *both sections*, where you can both ask and answer questions about the course. You have the option to ask questions anonymously as well. Here is a user guide, in case you have questions: [Student User Guide](#).

Providing good answers to your classmates' questions will earn you extra credit!

More sensitive questions that you don't want shared with others are of course welcome over email. Please let me know of any difficulties you may be having with the course as soon as

possible. These difficulties may arise from the course itself, or external forces (e.g., other courses, personal issues). Regardless of the source, let me know as soon as possible so we can work together to avoid larger problems later. Wharton and the University offer a wide range of support services that are geared towards helping students.

Financial Times/WSJ accounts

If you haven't already done so, please make sure you have active subscriptions to Financial Times and WSJ. For FT, please go to <https://faq.library.upenn.edu/business/faq/45307> and click "Create Account". For WSJ, please go to <https://faq.library.upenn.edu/business/faq/45188> and click "Create Account."

Academic Integrity

No member of the class may engage in or tolerate academic fraud, such as cheating, plagiarism or lying. I believe strongly in giving certain liberties to students, and in return I expect honest and honorable conduct, including compliance with the University of Pennsylvania's [Code of Academic Integrity](#). You may discuss problem sets and exams with your classmates (after completing them), but you may not use materials obtained from students who took this course in previous years. You must follow all the exams instructions very carefully and only use the explicitly permitted resources. If at any time you have a question concerning the [Code of Academic Integrity](#) and course work, please email me.

Sharing **any** material from this course – including, but not limited to, slides, exam questions, and exam solutions – with **anyone** not in your section will be considered a violation of the University's Code of Academic Integrity. This includes posting such material to any other website. Any such violation will result in a failing grade.

Due Dates and Exam Dates :

Tue, Sept 13	Individual Assignment #1 due by 9pm
Tue, Sept 20	Group Assignment #1 due by 9pm
Tue, Sep 27	Individual Assignment #2 due by 9pm
Tue, Oct 4	Mid-term Exam 1 — during class time
Tue, Nov 1	Individual Assignment #3 due by 9pm
Tue, Nov 8	Group Assignment #2 due by 9pm
Mon, Nov 21	Individual Assignment #4 due by 9pm.
Tue, Nov 29	Final Presentation group/topic due.
Thu, Dec 1	Mid-term Exam 2 — during class time
Tue, Dec 6	Presentations
Thu, Dec 8	Presentations

Calendar (preliminary)

1	Tue, Aug 30	Syllabus + LN #1	
2	Thu, Sep 1	LN #2 Spot FX markets	The Market for Foreign Exchange (eBook, pp 37-57) Background: International Monetary System (eBook, pp 1-36)
3	Tue, Sept 6	LN #2 Spot FX markets cont.	
4	Thu, Sept 8	LN #3 LIBOR, IRP, Forwards	International Money Market (eBook, pp 101-107)
5	Tue, Sept 13	LN #3 LIBOR, IRP, Forwards cont.	Chapter 4 in International Finance, Study.Net on Canvas
6	Thu, Sept 15	LN #3 LIBOR, IRP, Forwards cont.	
7	Tue, Sept 20	LN #4 Currency Futures	1 st part of Futures and Options (eBook, pp 69-76)
8	Thu, Sept 21	Group HW #1	
9	Tue, Sept 27	LN #5 Currency Options	Chapter 8 in International Finance, Study.Net on Canvas 2 nd part of Futures and Options (eBook, pp 77-89)
10	Thu, Sept 29	LN #5 Currency Options cont.	
11	Tue, Oct 4	Mid-term Exam 1	
	<i>Thu, Oct 6</i>	<i>No Class</i>	
12	Tue, Oct 11	LN #5 Currency Options cont.	
13	<i>Thu, Oct 13*</i>	<i>LN #5 Currency Options cont.</i>	
14	<i>Tue, Oct 18*</i>	<i>LN #8 International Stocks and Bonds</i>	
15	<i>Thu, Oct 20*</i>	<i>LN #7 Purchasing power parity</i>	
16	Tue, Oct 25	LN #6 Swaps	Interest Rate and Currency Swaps (eBook, pp 133-146)
17	Thu, Oct 27	LN #6 Swaps cont.	
18	Tue, Nov 1	LN #9 Cryptocurrencies	
19	Thu, Nov 3	LN #9 Cryptocurrencies cont.	
20	Tue, Nov 8	LN #9 Cryptocurrencies cont.	
21	Thu, Nov 10	Group HW #2	
22	Tue, Nov 15	LN #9 Cryptocurrencies cont.	
23	Thu, Nov 17	LN #9 Cryptocurrencies cont.	
	<i>Tue, Nov 22</i>	<i>No Class</i>	
	<i>Thu, Nov 24</i>	<i>No Class</i>	
24	Tue, Nov 29	LN #9 Cryptocurrencies cont.	
25	Thu, Dec 1	Mid-term Exam 2	
26	Tue, Dec 6	Final Presentations	
27	Thu, Dec 8	Final Presentations	

* 219 meets only!