

Graduate School of Management  
UC Davis

MGB 266: International Finance

Syllabus for Sumer Quarter 2012

**Instructor:** Dr. Yu (Ben) Meng, visiting professor

**Contact Details:**

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**Office hours:** 30 minutes prior and 30 minutes after each class session; and by appointment. In addition, students are encouraged to send questions via e-mail which I check regularly.

**Prerequisite:** None

**Course Overview:**

With the globalization of world economy, integration of financial markets across borders, and the advance in technology, multi-national corporations are facing increasing challenges in managing their operations and financials globally. This course will provide international managers with the tools necessary to assess the risks of the economic environment they operate and to make global operation and investment decisions.

This course has three parts. The first part covers the basic structure of foreign exchange markets, the factors that influence foreign exchange rates, and the relationship between foreign exchange rates and interest rates. The second part covers the analytical framework for assessing a corporation's various exposures to foreign exchanges. It also offers an in-depth discussion on the financial instruments such as foreign currency denominated debt and currency swaps that can be used to mitigate or completely eliminate the foreign exchange risks. The last part of the course covers the estimation of cost of capital from both the home currency and foreign currency's perspective and the appropriate cost of capital for making global investment decisions such as merger and acquisition and relocation of production facilities. It also touches upon some basic accounting treatments for foreign investments.

At the end of the course, students will be able to analyze a multi-national corporation's operating and financial exposure to foreign exchange rates, to make appropriate recommendations on how to mitigate such risk, and to compare investment opportunities from a global perspective.

**Text books:**

Required textbook: International Financial Economics – Corporate Decisions in Global Markets, by Thomas J. O'Brien, 2<sup>nd</sup> Edition. ISBN 9780195175042

The book is available through the San Ramon online book order form.

We will follow the notation and examples in this text book very closely. This text book is required.

Reference book (not required): International Financial Management by Madura, 10<sup>th</sup> Edition

Other Materials: Textpak material on study.net and other material will be provided at the end of each session

**Grades:**

Homework and class participation: 50%

This is an evening class for working professionals. We will try to cover the course materials and most of the exercises in-class to keep a light workload outside the classroom. To achieve this, I will need your active in-class participation.

One discussion paper in place of middle term: 20%

In-class and closed-book final: 30%

**Course Schedule: ???****About me:**

Yu (Ben) Meng, Ph.D., visiting professor

Dr. Meng graduated from University of California at Davis in 1998 with a doctoral degree in Civil Engineering (minor in Statistics). He worked as a civil engineer until 2001 when he enrolled in the first class of Master's program in Financial Engineering (MFE) at Haas School of Business at University of California at Berkeley. After graduating from MFE in 2002, he went to New York to work at Morgan Stanley as a Fixed Income trader and then Lehman Brothers as a Fixed Income researcher before he moved back to the Bay Area to join Barclays Global Investors as a senior portfolio manager and head of credit research. He has worked extensively on quantitatively driven hedge funds. On December 01, 2008, Dr. Meng joined California Public Employee Retirement System (CalPERS) as a portfolio manager and global head of fixed income quantitative research.

During his career, Dr. Meng has worked with numerous financial products, such as Treasury bonds, interest rate swaps, currency and currency swaps, mortgage backed

securities (MBS), corporate bonds, credit default swaps (CDS), convertible bonds, equity, and equity options.