

Educational establishment  
«The Belarus State Economic University»

APPROVED

Rector of the educational establishment  
«Belarus State Economic University»

V.N. Shimov

« 30 » 06 2017

Registration № УД 3327-17/уч.

**International Finances and Capital Markets**

Syllabus for Master's program

Specialization 1-25 81 01

«International Economics and Trade Policy»

**ORIGINATOR:**

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**RECOMMENDED FOR APPROVAL AS A BASE:**

Department of world economy of the  
Educational establishment «Belarus State Economic University»  
(protocol № 10 from 09.03.2017)

The scientific-methodical Council of the Educational establishment «Belarus State Economic University»  
(protocol № 5 from 21.06. 2017)

Responsible for the output: Borisik O.V.

## Explanatory note

The discipline «International Finances and Capital Markets» is an independent discipline. This discipline provides the basis for understanding both the international sources of finance and the ways of doing business on the international financial markets.

The subject of the course “International Finances and Capital Markets” is to study the mechanism and instruments of international financial transactions.

Discipline objective: providing to the Master’s Program students the knowledge and skills for understanding and doing business on the financial markets, and for seeing and taking opportunities in the field of international finance.

### Main discipline tasks:

- to deep the theoretical knowledge on international finance based on the classical and contemporary theories and models;
- to study and understand the current trends and instruments on different international financial markets: foreign exchange market, money market and capital market;
- to study various methods to analyze international financial transactions, and to forecast basic financial indicators and consequences of different decision makings on the international financial market;
- to get the skills of using the changing opportunities to do business by Belorussian economic entities on different international financial markets.

### As the result of discipline study magistrates must to:

#### *know:*

- the basic contemporary ideas, challenges and trends of international finance and markets;
- the specific and opportunities of transactions at the global financial centers, the participants, their strategies, the collaboration of government vs (plus) corporations in international finance;
- the scope of Eurocurrency market and the main global stock-exchange markets;
- spot and derivative foreign exchange financial instruments and rates; factors affecting and theories explaining them;
- fundamental and effective market approaches to analyze foreign exchange market;
- technical approach to analyze foreign exchange market;
- the scope of international money market, systemic risks and moral hazards;
- the nature of certificate of deposits, notes (floating rate, euro medium-term, syndicated NIF and RUF), treasury bills, commercial papers (US, Euro), banker’s acceptances, repos;
- the scope of international capital market, the Euromarkets, the modern investment banking; top global financial rating agencies;

- the instruments of international debt market: sovereign and corporate bonds, foreign, parallel, euro, global bonds; fixed and floating rate, zero coupon bonds; “junk” bonds; bond pricing models and sensitivity, theories of yield curves;
- the sovereign risk, debt management and default;
- the instruments of international equity market: foreign, international, euro equities; depository receipts; IPO; equity indexes; modern portfolio theory, behavior theory;
- the instruments of international derivatives market: forwards, futures, options, swaps, credit derivatives, hybrid securities;

***be able to:***

- identify and explain the trends of the international finance and markets;
- evaluate spot and forward exchange rates, determine the factors affecting them;
- use different approaches to analyze foreign exchange market;
- chose international money market instruments according to the determined strategy;
- behave on behalf of sovereign or corporate issuer or lender on the international debt market;
- arrange initial public offering;
- analyze international equity market and make investment decisions;
- create and implement financial strategies on the derivatives market;
- seek the opportunities “black swans” to do business on the international financial markets;

***have skills to:***

- collecting financial data from open international sources;
- analyzing international foreign exchange, money and capital markets using different approaches, theories and methods;
- preparing the financial strategy on behalf of the government and corporations based on self-collected and analyzed international financial information;
- arguing and making collective investment decision;
- individual and group negotiations on the terms of the international financial transactions;
- preparing the draft of the investment or other financial agreement (or other document).

The discipline « International Finances and Capital Markets» is based on the disciplines «Economic theory», «International economic relations», «International macroeconomics», «Financial Management», is studying during 120 hours, including 38 auditory study hours for full-time students (30 hours of lectures, 8 hours of face-to-face workshops).

Form of control is setoff.

## **TRAINING MATERIAL CONTENT**

### **Topic 1. International Financial System**

The modern understanding of “International Finance”. The basic contemporary ideas, challenges and trends of international finance and markets. Global financial system. Financial integration and globalization. The roots and consequences of the global financial crises.

Three international financial markets: foreign exchange, money and capital markets.

Main participants of the international financial markets, their goals and strategies. Investment banking. The collaboration of government vs (plus) corporations in international finance.

Basic steps from theory to practice international finance: international sources of financial information, methods of analyzing, preparing the financial strategy, collective decision making, individual and group negotiations, preparing the drafts of the financial documents.

### **Topic 2. Foreign Exchange Market**

Eurocurrency market. The international stock-exchange markets. FX dealers, brokers and other players. Market structure.

Exchange rate theories. Balance of Payment theory. Purchasing power parity theory. Interest rate parity theory. Fisher effect. Exchange rate regimes. FX control.

Spot foreign exchange deals. Factors affecting spot FX rates. Spot FX trading. Profit target. Long, short positions. Open interest. Margin call. FX risk control. Cross-currency rates.

Outright forward FX rates. Forward FX formula. Forward FX Hedge. FX options and swaps. Option-call and option-put.

Approaches to Analyze FX. Fundamental approach, effective market approach and Technical approach to analyze FX.

### **Topic 3. International Money Market**

The structure of international money market. US, UK, Japan domestic money markets. LIBOR, PIBOR, SHIBOR and others. Systemic risks and moral hazards.

Eurocurrency loans and deposits. Eurocurrency interest and day-count.

Certificate of deposits (yield-to-maturity). Notes: floating rate, euro medium-term, syndicated NIF and RUF. Treasury bills. US and Euro commercial papers. Banker’s acceptances. Repos and reverses.

### **Topic 4. International Capital Market**

The scope of international capital market. The Euromarkets (international capital markets). Global centers of international capital: NY, London, Tokyo, Hong Kong. American, European and Mixed models of the markets. International debt, equity and derivatives markets. Dealers and Limit-orders capital markets.

Participants of the international capital markets and their strategies. The modern investment banking. The clients of investment banks.

Top global financial rating agencies: Standard & Poor's Corporation, Moody's Investor Service, Fitch Investor Service, Dagong Global Rating.

### **Topic 5. International Debt Market**

Eurobond market. Sovereign and corporate bonds. Foreign bonds (Yankee, Samurai, Bulldog, Panda and others). Parallel, euro, global bonds.

Fixed and floating rate, zero coupon bonds.

High-yield vs "junk" bonds.

The sovereign risk. Debt management and default. The modern cases.

Credit analysis: business risk, financial risk, management (ownership) risk, covenants.

Bond Pricing Models.

### **Topic 6. International Equity Market**

The instruments of international equity market. Foreign, international, euro equities. Depository receipts. ADR. Equity indexes. Stock lending.

Listing. IPO - initial public offering, costs and benefits. Issuance methods. Elements of an IPO.

### **Topic 7. Investment Portfolio Theories**

Equity investment styles. Passive and active management. Growth and value investment.

Markowitz diversification effect. Capital asset pricing model. Arbitrage pricing theory. Behavior theory.

### **Topic 8. International Derivatives Market**

International derivatives market: trends and challenges.

Forwards: forward rate agreement long dated forward rate agreement synthetic agreement for forward exchange.

Futures: interest rate futures, stock futures, bond futures, equity index futures.

Option pricing, risks and strategies.

Interest rate swaps. Equity swaps.

Credit derivatives, hybrid securities.

**INDICATIVE THEMATIC PLAN**  
of the discipline « International Finances and Capital Markets»  
specialty «International Economics and Trade Policy»

Number of topic	Topic	Hours In Auditorium					Other	Forms of control of knowledge
		Lectures	Practice	Practical studies	Laboratory studies	Managed independent work		
1	2	3	4	5	6	7	8	9
1.	International Financial System	4		-		-	Literature [1-10, 20-25]	Control poll
2.	Foreign Exchange Market	4		2		-	Literature [1-10, 16, 17-25]	Individual work
3.	International Money Market	4		-		-	Literature [1-5, 15, 20, 21]	Control poll, test

4.	International Capital Market	4		-		-	Literature [6-10, 15, 19-23]	Survey, test
5.	International Debt Market	4		2		-	Literature [1-10, 14]	Individual work
6.	International Equity Market	4		2		-	Literature [6-10, 23, 24]	Control poll, test
7.	Investment Portfolio Theories	2		1		-	Literature [1- 5, 20-25]	Individual work
8.	International Derivatives Market	4		1		-	Literature [1-10, 23]	Control poll, test
Total		30		8		-		



## **INFORMATION AND METODIC PART**

### **Methodical recommendations about the organization of independent work undergraduates on a discipline «International Finances and Capital Markets»**

In mastering knowledge of a subject matter an important stage independent work of undergraduates is. The budget of time for independent work on average on 2-hour classroom occupation is recommended 1,5-2 hours.

Main directions of independent work of the undergraduate:

- initial acquaintance with the program of a subject matter;
- acquaintance with the list of the recommended literature, her studying and selection of additional literature;
- work with information sources, information search for the analysis and forecasting of the world commodity markets;
- studying of materials of various databases of the international economic organizations and their official sites;
- studying and expansion of the material of lectures provided by the teacher at the expense of information from additional literature, consultations;
- preparation for seminar classes in specially developed plans with studying of the main and additional literature;
- preparation for the main forms of control (control poll, test, USRS tasks, tactical review, report, presentation, etc.);
- preparation of the computer presentations on single questions and subjects of a subject matter;
- preparation for examination.

### **The list of the recommended diagnostic aids of competences**

1. Oral forms of diagnostics of competences: interviews, polls, oral reports on seminar occupations, reports at conferences, estimation on the basis of a discussion.
2. Written forms of diagnostics of competences: tests, control polls, examinations, individual tasks, essay, publications of articles, reports.
3. Technical form of diagnostics of competences: electronic tests, presentations.

### **Literature**

#### **Main**

1. Connolly, Michael. International Business Finance. — Gardners Books, 2015. — 418 p.
2. Eiteman, David.K. Multinational Business Finance / David K. Eiteman, Arthur I. Stonehill, Michael H. Moffett, Chuck Kwok. - Addison-Wesley Longman, 2011 - 758 p.
3. Melvin, Michael. International Money and Finance / M. Melvin. - Elsevier Science, 2012. - 336 p.

4. Advani, Reuben. The Wall Street MBA. Second Edition. – The McGraw-Hill Companies, Inc., 2012.
5. Chisholm, Andrew M. An Introduction to International Capital Markets. Products, Strategies, Participants. Second Edition. – John Wiley & Sons, Ltd., 2009.
6. Johnson, Hazel J. Global Financial Institutions and Markets. – Blackwell Business. University of Louisville, 2000.
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8. Reinhart, Carmen M., Rogoff Kenneth S. This Time is Different. Eight Centuries of Financial Folly. – Princeton University Press, 2009.
9. Sercu, Piet. – International Finance. Theory into Practice. - Princeton University Press, 2012.
10. Smith, Roy C., Walter Ingo. Global Banking. – Oxford University Press, 2003.

#### **Additional**

11. Andenas, M. The foundations and future of financial regulation: Governance for responsibility : text book / M. Andenas . - London : Routledge, 2014. - 539 p.
12. Brooks, Raymond M. Financial management: core concepts : text book / Raymond M. Brooks. - 2nd ed. - England : Pearson Education Limited, 2013. - 645 p.
13. Buckley, A. International finance: a practical perspective : text book / A. Buckley. - England : Pearson Education Limited, 2012. - 652 p.
14. Fabozzi, Frank J. Bond markets, analysis, and strategies : text book / Frank J. Fabozzi. - 8th ed. - England : Pearson Education Limited, 2013. - 743 p.
15. Financial institutions, markets, and money : text book / David S. Kidwell [et al.]. - 11th ed. - New Jersey : John Wiley & Sons, Inc., 2013. - 666 p.
16. Foreign exchange issues, capital markets, and international banking in the 1990s : text book / ed.: K. Fatemi, D. Salvatore. - London : Routledge, 2012. - 281 p.
16. Haan de Jakod. Financial markets and Institutions: a european perspective : text book / Jakod de Haan. - Hew York : Cambridge University Press, 2012. - 467 p.
17. Holton, Robert J. Global finance : knowleye / Robert J. Holton. - London : Routledge, 2012. - 118 p.
18. International corporate finance: markets, transactions, and financial management : text book / ed. Harvey A. Poniachek. - London : Routledge, 2013. - 418 p.
19. Jeon, B.N. Global banking, financial markets and Crises : text book. Vol.14 / B. N. Jeon ; International finance review, [б. м.], 2013. - 480 p.
20. Pike, R. Corporate finance and investment: decisions and strategies : text book / R. Pike. - 7th ed. - Harlow : Pearson Education Limited, 2012. - 844 p.
21. Research in finance : knowleye. Vol.29 / ed. John W. Kensinger, [б. м.], 2013. - 189 p.
22. Schoenebeck, Karen P. Interpreting and analyzing financial statements: a project-based approach : text book / Karen P. Schoenebeck. - 6th ed. - USA : Pearson Education Hall, 2013. - 338 p.

23. Security analysis, portfolio management, and financial derivatives : text book. - New Jersey : World Scientific, 2013. - 1155 p.
24. Watson, D. Corporate finance: principles and practice : text book / D. Watson. - 6th ed. - England : Pearson Education Limited, 2013. - 490 p.
25. Wijst, Nico Vah D. Finance: a quantitative introduction : text book / D. Wijst. - Cambridge : Cambridge University Press, 2013. - 8750 p.

**ДОПОЛНЕНИЯ И ИЗМЕНЕНИЯ К УЧЕБНОЙ ПРОГРАММЕ  
ПО ИЗУЧАЕМОЙ УЧЕБНОЙ ДИСЦИПЛИНЕ**  
на 2017 / 2018 учебный год

№ Пп	Дополнения и изменения	Основание

Учебная программа пересмотрена и одобрена на заседании кафедры  
(протокол № \_\_\_\_ от \_\_\_\_\_ 2017 г.)

Заведующий кафедрой  
д.э.н, профессор

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(подпись)

А.А. Праневич

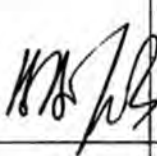
УТВЕРЖДАЮ  
Декан факультета  
к.э.н, доцент

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(подпись)

В.Ю. Шутилин

## PROTOCOL OF COORDINATION OF THE TRAINING PROGRAM

Name of the discipline with which to negotiate	Name of the department	Proposals for changes in the content of the curriculum studied academic discipline	Action taken by the Department that developed the curriculum (with date and non-Protocol)
1	2	3	4
Macroeconomic (advanced level)	Department of economic theories	No Vorob,ev V.A. 	No changes are required. Protocol № 10 09.03.2017