

General Course Information

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| Instructor: | Mei Li |
| <i>Email</i> | mli03@uoguelph.ca |
| <i>Office Location</i> | Remote (Microsoft Teams) |
| <i>Office Hours</i> | Mondays and Wednesdays, 1:30PM-2:30PM at Microsoft Teams or by appointment |
| <i>Department/School</i> | Economics & Finance |
| Class Schedule: | Section 01: Mondays and Wednesdays, 11:30AM-12:50PM, MACS, 121 LEC Section 02: Mondays and Wednesdays, 8:30AM-9:50AM, MCLN, 107 LEC |
| Pre-requisites: | ECON*2410 , (ECON*2560 or ECON*3560) |

Course Description

This course is designed to help students understand how interactions of an economy with the rest of the world affects the economy at the aggregate level, with a particular focus on international financial flows. We will explore key topics in international finance, including the balance of payments, exchange rate determination, floating and fixed exchange rate regimes and associated exchange rate policies, and the impact of monetary and fiscal policies in an open economy. Various economic theories such as the uncovered and covered interest parity, purchasing power parity, and the Keynesian theory in an open economy will be introduced. This course builds on concepts from ECON*2410, Intermediate Macroeconomics, and offers a more in-depth examination of the Keynesian theory in an open economy.

Course Learning Outcomes

Upon successfully completing this course, you will:

Knowledge

- 1) **Written Communication:** Students are required to write a Canadian exchange rate forecast report. In this report, students are asked to forecast the CAD/USD exchange rate in 2025, based on their understanding of course materials about exchange rate determination.
- 2) **Numerical and Analytical Problem Solving:** Students are required to study a series of economic models that are essentially math problems. Students are required to learn how to solve the models, derive the solutions, and illustrate the solutions in graphs. This ability will be assessed in midterm and final exams and assignments.
- 3) **Problem Solving in a Real World Context:** The forecast project asks students to forecast the CAD/USD exchange rate in 2025 by applying the theories on exchange rate determination covered in this course.

Understanding

1) Economic Modeling: Several economic models, such as the Uncovered Interest Parity model, the Purchasing Power Parity model, and the Keynesian model in an open economy, will be introduced.

2) Understanding of Specific Markets: Students will understand how the goods market and financial markets (including both the foreign exchange market and money market) work.

3) Historical and Global Context: We will introduce the evolution of the international monetary system, including the fixed exchange rate regime under the Bretton Woods system.

4) Economic Policy and Regulations: We will examine how exchange rate policy, monetary policy, and fiscal policy work in an open economy under floating and fixed exchange rate regimes.

Summary of Course Content and Materials

1. Course overview.
2. National income accounting and the balance of payments. KOM Chapter 13.
3. Exchange rates and the foreign exchange market: an asset approach. KOM Chapter 14.
4. Money, interest rates, and exchange rates. KOM Chapter 15.
5. Price levels and the exchange rate in the long run. KOM Chapter 16.
6. Output and the exchange rate in the short run. KOM Chapter 17.
7. Fixed exchange rates and foreign exchange intervention. KOM Chapter 18.

Course Assessment

| | | | Associated Learning Outcomes | Due Date/ location |
|------------------------------|-------------|------------------------------------|-------------------------------------|------------------------------------|
| Assessment 1: | 25% | Midterm Exam | KOM Chapters 13-15 | TBA |
| Assessment 2: | 40% | Final Exam | KOM Chapters 13-18 | See exam schedule |
| Assessment 3: | 15% | Group essay and video presentation | KOM Chapters 13-18 | Nov 17, 2024 by 11:59PM at DROPBOX |
| Assessment 4: | 20% | MyLab assignments | KOM Chapters 13-18 | See your MyLab account |
| Assessment 5 (bonus): | 5% | Class Participation | KOM Chapters 13-18 | |
| Total | 105% | | | |

The final exam is cumulative. You will have a make-up exam for the midterm exam if you miss it for legitimate reasons. You should notify your instructor ASAP if you cannot attend a regular midterm exam.

You will have six MyLab assignments. Each assignment covers one chapter. Your MyLab assignments will be due at 11:59pm on the due date. You have two types of questions in your MyLab assignments: **homework** and quizzes. The marking scheme is as follows: Each assignment weighs equally (20/6) in your final grade. For each assignment, **the homework weighs 60%**; and the quiz weighs 40%. You will be allowed unlimited attempts for homework, and 3 attempts for a quiz. Registration instructions for MyLab Economics are provided on page 6 of the course outline.

The group essay and video presentation will be about the CAD/USD exchange rate forecast. Detailed instructions for them are provided at the end of the course outline. The group essay and video presentation should be submitted to DROPBOX on courselink.

Class attendance is required in this course. Class absences are acceptable only if they are for legitimate reasons and are notified to your instructor in a timely manner. To encourage class attendance, I will give you five bonus marks. You will have five pop-up in-class quizzes. You will earn 1 bonus mark in your final grade so long as you take part in a quiz.

Teaching and Learning Practices

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| Lectures | Face-to-face lectures are delivered twice a week as scheduled. These lectures cover all the materials appearing in your exams and should be the most important source you rely on to prepare for the exams. You are required to attend each lecture and take notes. |
| Slides | Slides are used in lectures. Note that the slides are incomplete and not a substitute for the lectures. Important information, such as detailed explanations about course materials could be missing in the slides. |
| Office Hours | Students are encouraged to ask the instructor questions at Microsoft Teams during office hours or by appointment. To reach me during my office hours, please download the app and sign in to your account. Then you can access the class team titled “office hours for FIN*3400” and join me by clicking on the Meeting Details button in the middle of the General Channel. Please email me in advance if you plan to visit me during my office hours. |

Course Resources

Required Textbook:

MyLab Economics with Pearson eText for International Economics: Theory and Policy, 12th edition

Authors: Paul R. Krugman, Maurice Obstfeld, and Marc Melitz

ISBN - 9780135766880

Your textbook is in electronic format. Detailed registration instructions are available on page 6 of the course outline.

CourseLink (D2L):

CourseLink will be used extensively throughout this course, so please check it regularly to stay updated.

- **Announcements:** Important information, including reminders and instructions for exams and assignments, will be posted here.
- **Content:** This section contains the MyLab Economics module for your MyLab account registration and login, the course outline, slides, and reading materials for the course and your forecast project.
- **Dropbox:** Submit your group forecast project here.
- **Groups:** Enroll yourself in a group for the forecast project through this section.
- **Discussions:** Find your group members for the forecast project through this section.

Microsoft Teams:

Microsoft Teams is used for office hours.

Course Policies

Grading Policies

Unless you have discussed an extension well ahead of the due date with the instructor, late penalties of 5% of the total grade earned per day (including weekends) will be assigned to any assessment (i.e. deducted from the total mark). Extensions will only be granted on the basis of valid medical or personal reasons, and need to be requested via email to the instructor as soon as possible. Late assignments will not be accepted once graded assignments have been returned officially to the class at large, unless circumstances permit and alternative arrangements have been made.

Students who find themselves unable to meet course requirements by the deadlines or the criteria expected because of medical or personal reasons, should review the regulations on academic consideration in the Academic Calendar and discuss their situation with the instructor, program counselor or other academic counselor as appropriate.

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml>

Missed Assignments:

A grade of zero will be assigned if you fail to submit an assignment, unless you are ill or have other compassionate reasons. Please read your Undergraduate Calendar for the regulations regarding illness and compassionate grounds. Please note, vacation travel, moving house, or outside work commitments will not be accepted as valid reasons for missing deadlines.

If you have religious observances which conflict with the course schedule or if you are registered with Student Accessibility Services, please contact the course instructor in order to make arrangements for your assessment if appropriate.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for Academic Consideration:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-amisconduct.shtml>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible. For more information, contact SAS at 519-824-4120 ext. 56208 or email sas@uoguelph.ca or see the website: <https://wellness.uoguelph.ca/accessibility/>

Course Evaluation Information

Please refer to the [Blue by Explorance system](#).

Recording of Materials

Presentations which are made in relation to course work—including lectures—cannot be recorded or copied without the permission of the presenter, whether the instructor, a classmate or guest lecturer. Material recorded with permission is restricted to use for that course unless further permission is granted.

Drop date

The last date to drop one-semester courses, without academic penalty, is **Friday November 29, 2024**. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-drop.shtml>

Registration Instructions for MyLab & Modified Mastering with Courselink

Enter Your Courselink Course:

1. Sign in to Courselink and enter your FIN*3400 course.
2. Go to **Content** and click on the module of **MyLab Economics**.

Get Access to Your Pearson Course Content:

1. Enter your Pearson account **username** and **password** to **Link Accounts**.
 - If you don't have a Pearson account, select **Create** and follow the instructions.
2. Enter the access code that was purchased from the [bookstore](#).
3. From the You're Done page, select **Go to My Courses**.

Note: We recommend you always enter your MyLab course through Courselink.

Need help?

1. Click here for [step-by-step](#) instructions on how to register.
2. You can also attend this drop-in session for further assistance.
September 9th, 2024 2pm – 3pm
Join Zoom Meeting
<https://pearson.zoom.us/j/9294532978>
Meeting ID: 929 453 2978
3. If you cannot make this drop-in session or require any resource support throughout your semester, please visit [Pearson's 24/7 support](#).
4. MyLab can help you study more efficiently with a Study Plan, – Click here to [see how!](#)

Instructions for the group report and video presentation on forecasting the average CAD/USD exchange rate in 2025

Exchange rate determination is one of the most important topics in International Finance. This group project will give you a chance to apply theories on exchange rate determination discussed in class to understanding the Canadian exchange rate determination in the real world. **The most important thing I am looking for in this project is that you demonstrate you understand the theories and know how to apply them to the exchange rate determination in the real world.** Keep in mind that there is a big gap between knowing a theory and applying it *correctly* to real-world situations. This project provides you an opportunity to bridge this gap.

To succeed in this project, you will need to extend your knowledge beyond the course material, particularly in areas like monetary policy decisions in Canada and the U.S., inflation determination, and commodity price movements, especially oil. Relevant reading materials are provided under CONTENT on CourseLink, and it is crucial that you thoroughly review them before beginning your work.

You are required to form a team of four members by September 20, 2024. Once your team is formed, self-enroll in a group on CourseLink under **GROUPS**. Each team is expected to produce a report forecasting the average CAD/USD exchange rate for 2025. In addition, you are asked to create a video presentation explaining your report.

In your report, you should include but not necessarily be limited to the following steps:

First, clearly state your prediction for the average CAD/USD exchange rate in 2025. While a specific number is not required, you must indicate whether it will appreciate, depreciate, or remain the same compared to the exchange rate level when the report is written.

Second, justify your forecast based on the exchange rate determination theories discussed in class. You will find that the CAD/USD exchange rate depends crucially on several macroeconomic variables such as interest rates and inflation rates. Additionally, commodity prices, especially oil prices, or more generally the current account balance are also important. Because monetary policy determines the short-run interest rate in both countries, it matters a lot in this report.

Thus, your justification should include but not necessarily be limited to the following steps:

First, identify the key macroeconomic variables that will influence the CAD/USD exchange rate and explain their relevance using the theories discussed in class. (You will need to use the theories on exchange rate determination discussed in class to explain why and how the variables you choose will affect the exchange rate.)

Second, predict the movements of these variables in 2025 based on current data and your understanding of their real-world determination.

Third, relate the predicted movements of these variables to the expected movement in the exchange rate and make your forecast for the average CAD/USD exchange rate in 2025.

The report is essentially a fundamental analysis-based exchange rate forecast. While other alternative methodologies for exchange rate forecasts such as the technical analysis exist, fundamental analysis is mandatory for this report.

The report must follow APA style, be double-spaced, use 12-point Times New Roman font, and have a maximum of 15 pages for the main body.

The video presentation should be 15 to 20 minutes long. It should include both slides and the personal presence of each member.

To ensure equal contribution, each team member must sign a peer rating form. Your project submission must include this form with all members' signatures. The form and instructions are attached below.

How to fill the Peer Rating Form

(due with your forecast project)

1. If you shared the workload equally and in a team of four, and you assigned each other 25%, all of you will receive the unchanged total grade for the forecast project.
2. If the workload is not shared equally, the student (s) who has (ve) the highest percentage will receive the unchanged total mark for the forecast report. The other student (s) who have not shared equally the workload will receive discounts from the assigned grade. The discounts are calculated as follows.

For example, assume the following effort distribution:

Student 1 30%
Student 2 30%
Student 3 30%
Student 4 10%

Students 1, 2 and 3 will receive their full unchanged grade for the project. Student 4 will receive 10%/30% of the full unchanged grade.

3. Each team member must sign the peer rating form and submit it along with your forecast project. **If your team cannot agree on the distribution of contributions, the concerned members should email me with detailed explanations and supporting evidence, ensuring all team members are CC'd. Upon receiving the email, I will conduct an investigation and determine each member's contribution to the project based on the findings.**

FIN*3400 PEER RATINGS FORM

(due with your forecast project submission)

RATINGS:

If your grade for teamwork is a 100%, how would you allocate the percentage share to reflect the amount of work done by each team member? For example, in a team of four, each member participating equally would receive a percentage share of 25%, for a total of 100%. Please file one form per team. Each member must sign this form to show agreement.

| Names | percentage share | Signature |
|----------|------------------|-----------|
| 1. _____ | _____ | |
| 2. _____ | _____ | |
| 3. _____ | _____ | |
| 4. _____ | _____ | |

COMMENTS: