

Course Title	Macroeconomics and Finance		
Course Code	EBC2001		
ECTS Credits	6,5		
Assessment	Whole/Half Grades		
Period	Period	Start	End

Level	Introductory								
Coordinator	Jaap Bos, Clemens Kool For more information: j.bos@maastrichtuniversity.nl; c.kool@maastrichtuniversity.nl								
Language of instruction	English								
Goals	<ul style="list-style-type: none"> <li>* Understand and use the concepts of nominal, real and effective exchange rates</li> <li>* Understand and use arbitrage (parity) relations in foreign exchange</li> <li>* Understand and use short-run and long-run exchange rate determinants</li> <li>* Understand and use a simple IS-LM-FX model for a small open economy under fixed and floating exchange rates</li> <li>* Understand and use the IS-LM-FX model for short-run macroeconomic policy analysis</li> <li>* Understand and use the differences and similarities between a fixed exchange and a monetary (currency) union</li> <li>* Compute the return and volatility of stocks and portfolios of stocks</li> <li>* Understand the (theoretical) trade-off between risk and return, and how to select an efficient portfolio</li> <li>* Understand the (assumptions behind the) CAPM and its practical use</li> <li>* Estimate CAPM betas for different industries using time series data and their relation to risk-return trade-offs</li> <li>* Compute the cost of capital for a firm or an investment opportunity</li> <li>* Understand multifactor models of risk, e.g. the Fama-French-Carhart model</li> <li>* Compute the value of a firm and understand the Law of One Price</li> <li>* Understand the (assumptions behind the) Modigliani-Miller (MM) theorem</li> <li>* Understand how deviations from MM affect the optimal capital structure</li> <li>* Understand the valuation and use of financial options in risk management</li> </ul>								
Description	<p>In this course, we focus on a limited number of specialized topics in international macroeconomics and finance. These are:</p> <ul style="list-style-type: none"> <li>* Short-run and long run determinants of the exchange rate and the role of the exchange rate as an adjustment mechanism between countries</li> <li>* The effectiveness of monetary and fiscal stabilization policies in open economies under fixed and floating exchange rate regimes</li> <li>* The special case of a currency union: the euro area</li> <li>* The role of risk and return in asset pricing and optimal portfolio composition</li> <li>* The determinants of the choice between debt and equity (capital structure) in funding a firm's operations</li> <li>* Financial risk management and the use of options</li> </ul>								
Literature	<ul style="list-style-type: none"> <li>* Berk &amp; DeMarzo, Corporate Finance, Pearson, 4th ed., 2017</li> <li>* Feenstra R.C., A.M. Taylor, International Macroeconomics, MacMillan, 4th (int'l) ed., 2017</li> </ul>								
Prerequisites	Students are expected to be familiar with the standard concepts taught in 1st year undergraduate Macroeconomics and Finance courses.								
Teaching methods	PBL / Presentation / Lecture / Assignment								
Assessment methods	Participation / Written Exam / Presentation								
Evaluation in previous academic year	For the complete evaluation of this course please click <a href="http://iwio-sbe.maastrichtuniversity.nl/rapporten.asp?referrer=codeUM">http://iwio-sbe.maastrichtuniversity.nl/rapporten.asp?referrer=codeUM</a>								
This course belongs to the following programme / specialisation	<table border="1"> <tr> <td>Bachelor Econometrics and Operations Research</td><td>Year 2 Compulsory Course(s)</td></tr> <tr> <td>SBE Exchange Bachelor</td><td>Bachelor Exchange Courses</td></tr> <tr> <td>SBE Exchange Master</td><td>Bachelor Exchange Courses</td></tr> <tr> <td>SBE Non Degree Courses</td><td>Bachelor Courses</td></tr> </table>	Bachelor Econometrics and Operations Research	Year 2 Compulsory Course(s)	SBE Exchange Bachelor	Bachelor Exchange Courses	SBE Exchange Master	Bachelor Exchange Courses	SBE Non Degree Courses	Bachelor Courses
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