



NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS
TOPICS IN EMERGING FINANCIAL MARKETS
C15.0023
Spring 2008

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The course covers essential elements of investing and trading securities in emerging financial markets. The main perspective is that of the investment manager, but the course will also provide insights into key macro-economic policy debates in the emerging markets. The objective of the course is to equip students with strong knowledge about financial markets in developing countries.

Prerequisites :

Financial Management (C15.0007) or senior standing.

Course requirements:

Readings:

- Required: Robert F. Bruner, Robert M. Conroy, Wei Li, Elizabeth F. O'Halloran, and Miguel Palacios Lleras, *Investing in Emerging Markets* (The Research Foundation of AIMR, 2003).
- Required: Articles posted on Blackboard.
- Optional: Interested students are also referred to (i) *Global Bargain Hunting* by Malkiel and Mei; (ii) *Mobius on Emerging Markets* by Mark Mobius.

Assignments and Grading:

- Mid-term exam: Wednesday, March 12.
- Final exam: During exam week.

Each exam is worth 40% of your final grade. All exams are closed-note and closed-book. The final exam will not be cumulative, but will presume mastery of the conceptual knowledge from the first half of the semester.

- Presentation of article: See separate sheet for details; 10% of final grade.
- Memo on another presentation: See separate sheet for details; 10% of final grade.
- Non-graded problem sets distributed occasionally.

Positive class participation can help your grade. Disruptive behavior can hurt your grade.

Office hours are by request.

NYU – DEPT. OF FINANCE

C15.0023
Presentation
Spring 2008

Emerging Financial Markets
Prof. Gayle DeLong
Prof. Brian Gendreau

The purpose of this project is to sharpen your oral presentation skills. Being able to speak coherently is absolutely essential for you to advance your careers.

You will work with a classmate on presenting an article. The important questions to answer about the article are: Who is doing the action? What are they doing? When and where are they doing it? How does this article relate to emerging financial markets? Another important aspect is going beyond the article. For example, if the article discusses the performance of an emerging market fund in 2000, you could go beyond the article and discuss what has happened to the fund since 2000.

Although you will work with a classmate to present the article, you could each receive different grades. You may use notes for your presentation as well as overhead slides.

Anything you or your fellow classmates present in class may appear on an exam.

Grading of the presentation is based on the criteria on the following page. You and your classmate will receive the same score for the first three categories (introduction, content, and conclusion), but could receive different scores for the last three categories (organization, delivery, and visuals).

In general, I will assign the articles at random. If there is an article on the reading list that you very much want to present, please e-mail me (gdelong@stern.nyu.edu). I will try to honor your request, but I cannot guarantee that you will be assigned the article you want.

Presentation Feedback

Name _____ Date _____

Article _____

Intro (2 points)

Interesting

Concise

Content (3 points)

Who? What? When? Where?

How related to FIN 4920?

Did you go beyond the article?

Conclusion (2 points)

Organization (1 point)

Can audience follow you?

Delivery (1 point)

Loudness, speed, hand gestures

Visuals (1 point)

Legible, concise, explanatory

Total (10 points)

NYU – DEPT. OF FINANCE

C15.0023
Memo on presentation
Spring 2008

Emerging Financial Markets
Prof. Gayle DeLong
Prof. Brian Gendreau

The purpose of this project is to sharpen your analytic and writing skills. Being able to think critically and to present ideas clearly is absolutely essential for you to advance in your careers.

Your boss is unable to attend an important meeting and sends you to the meeting in his/her place. You are to write a summary of the meeting as well include ideas on how the information could help your firm. The meeting your boss is unable to attend is a presentation that your classmates make in the Emerging Financial Markets class. You may choose any presentation.

Be sure to include the who, what, where, when, why and how elements of your classmates' presentation. That is, who is doing the action? Where does the event take place? When does the event occur? Why is the event important? How does the event relate to the topic in our class?

A word on exposition. The first section should give your boss an overview of the presentation and indicate the main points of the presentation. The middle section(s) should describe the main points more thoroughly. The final section should consist of conclusions and implications. The memo should be about two double-spaced pages.

Grading of the paper is based on the criteria on the following page.

You may have a maximum of *one* quotation in the paper (you may choose to have no quotations). The quotation may be no longer than 100 words, and it must include a detailed reference.

Plagiarism is absolutely forbidden. Except for a maximum of one clearly labeled quotation, accompanied by a reference, the paper and presentation must be entirely in your own words. If you copy from any source without a proper citation or if you have more than one quotation, you could receive a zero on the paper.

Submit memos to the Blackboard Digital Dropbox. Memos are due midnight May 1.

Memo Feedback

Name _____ Date _____

Articles _____

Introduction (2 points) _____

Interesting

Concise

Content (3 points) _____

Who? What? When? Where?

How related to your business?

Conclusion (2 points) _____

How can your boss use the information?

Style and grammar (3 points) _____

Total (10 points) _____

Date	Topic	Readings: SP = Student presentation; '*' = courtesy of Prof. Martin J. Siegel
23-Jan	Opportunities in Emerging Markets – GDL	<p><i>Investing in Emerging Markets</i>, chapters 1 and 2</p> <p>Salomon Bros - The Reasons for Global Investing*</p> <p>Pre Emerging Frontier markets offer opportunities FT 7/12/04*</p> <p>India and China are the only real BRICs in the wall FT 12/4/06*</p> <p>How Carlos Slim makes money*</p>
28-Jan	Overview – BCG	<p>Claude Erb, Campbell Harvey, and Tadas Viskanta, "The Making of an Emerging Market," <i>Emerging Markets Quarterly</i> (Spring 1977).</p> <p>Dominic Wilson and Roopa Purushothaman, <i>Dreaming with BRICs: The Path to 2050</i> Goldman Sachs Global Economics Paper No. 99 (1 October 2003). www.goldmansachs.com</p> <p>Keith Sill, "Understanding Asset Value: Stock Prices, Exchange Rates, and the "Peso Problem," Federal Reserve Bank of Philadelphia Business Review (September/October 2000). http://www.philadelphiafed.org/</p>
30-Jan	Problems in Emerging Markets – GDL	<p>A real estate deal in an EM*</p> <p>A night of horror in Jakarta*</p> <p>Regency Hotel notice*</p> <p>Saigon's stock market surges*</p> <p>Dominoes can fall on EM*</p>
4-Feb	Basics of Calculating Returns – GDL	
6-Feb	Instruments – BCG	<p><i>DR Basics and Benefits: An Overview of Depository Receipts</i>, Bank of New York Mellon, http://www.adrbny.com/dr_edu_basics_and_benefits.jsp</p> <p>David Mingle, <i>Credit Default Swaps</i>, Federal Reserve Bank of Atlanta (4Q 2007).</p> <p>SP Navigating Routes to Foreign Markets: NYT 1/04*</p> <p>SP ADRs and GDRs -- Does it Matter?: FT 7/03*</p>

Date	Topic	Readings: SP = Student presentation; '**' = courtesy of Prof. Martin J. Siegel
11-Feb	Derivatives – GDL	SP Even the courts can't figure them out: FT Dec 02* SP Emerging Debt Gain Sophistication: FT 26OCT05 * SP The inexorable growth of credit derivatives: <i>Euromoney</i> , 06SEP06
13-Feb	Equity Markets: Funds Flows & Equity Returns – BCG	<p><i>Capital Flows to Emerging Markets</i>, Institute of International Finance, October 21, 2007. http://www.iif.com/</p> <p>SP <i>Capital Flows Monitor</i>, Institute of International Finance (February 2008). http://www.iif.com/</p> <p>Brian Gendreau and Leila Heckman, <i>Flowing My Way? Using Mutual Fund Data in International Asset Allocation</i>, Salomon Smith Barney (November 30, 1999)</p> <p>Brian Gendreau and Leila Heckman, <i>Running with the Bulls, Using Information on Emerging Market Mutual Funds in Asset Allocation</i>, Salomon Smith Barney (January 25, 2002).</p> <p>SP Investors Flock to Emerging Market ETFs: FT 7/2/05* SP International Funds Continue to Grow: 8/06* <i>Economist</i>, Asset-back insecurity (Sovereign-wealth funds), 19JAN08</p>
18-Feb	no class - President's Day	
20-Feb	Equity Markets: Benchmarks and Market Efficiency - BCG	<p><i>Investing in Emerging Markets</i>, chapters 3 and 4.</p> <p>George Hoguet, "Benchmark Blues: Agency Problems in the Construction of Global Emerging Market Benchmarks and the Allocation of Global Capital," State Street Global Advisors, <i>Essays and Presentations</i> (May 21, 2001)</p> <p>SP Efficient Markets and Indexing: FT 8/03* SP Can Portfolio Managers Outperform an Index: FT 7/03* SP Will Active Managers Invest Passively: <i>Economist</i> 5/03* SP In EM following an Index Might not be as Good as Active Management: FT 8/03*</p>

Date	Topic	Readings: SP = Student presentation; '**' = courtesy of Prof. Martin J. Siegel
25-Feb	Currency Regimes – GDL	SP Why Exchange Rates Matter: NYT 6/3/04* SP Fear of Floating: Economist 8/03* SP A Currency Afloat (for All Of 20 Minutes): NYT 30APR05*
27-Feb	Equity Markets: Country Allocation – BCG	Magnus Dahlquist and Campbell Harvey, "Global Tactical Asset Allocation," <i>Emerging Markets Quarterly</i> (2001) Brian Gendreau and Leila Heckman, <i>Emerging Market Equity Allocator</i> , Heckman Global Advisors (November 2004)
11-Feb	Derivatives – GDL	SP Even the courts can't figure them out: FT Dec 02* SP Emerging Debt Gain Sophistication: FT 26OCT05 * SP The inexorable growth of credit derivatives: <i>Euromoney</i> , 06SEP06
13-Feb	Equity Markets: Funds Flows & Equity Returns – BCG	<i>Capital Flows to Emerging Markets</i> , Institute of International Finance, October 21, 2007. http://www.iif.com/ Brian Gendreau and Leila Heckman, <i>Flowing My Way? Using Mutual Fund Data in International Asset Allocation</i> , Salomon Smith Barney (November 30, 1999) Brian Gendreau and Leila Heckman, <i>Running with the Bulls, Using Information on Emerging Market Mutual Funds in Asset Allocation</i> , Salomon Smith Barney (January 25, 2002). <i>Economist</i> , Asset-back insecurity (Sovereign-wealth funds), 19JAN08 SP <i>Capital Flows Monitor</i> , Institute of International Finance (February 2008). http://www.iif.com/ SP Investors Flock to Emerging Market ETFs: FT 7/2/05* SP International Funds Continue to Grow: 8/06*
18-Feb	no class - President's Day	

Date	Topic	Readings: SP = Student presentation; '**' = courtesy of Prof. Martin J. Siegel
20-Feb	Equity Markets: Benchmarks and Market Efficiency - BCG	<p><i>Investing in Emerging markets</i>, chapters 3 and 4.</p> <p>George Hoguet, "Benchmark Blues: Agency Problems in the Construction of Global Emerging Market Benchmarks and the Allocation of Global Capital," State Street Global Advisors, <i>Essays and Presentations</i> (May 21, 2001)</p> <p>SP Efficient Markets and Indexing: FT 8/03*</p> <p>SP Can Portfolio Managers Outperform an Index: FT 7/03*</p> <p>SP Will Active Managers Invest Passively: Economist 5/03*</p> <p>SP In EM following an Index Might not be as Good as Active Management: FT 8/03*</p>
25-Feb	Currency Regimes – GDL	<p>SP Why Exchange Rates Matter: NYT 6/3/04*</p> <p>SP Fear of Floating: Economist 8/03*</p> <p>SP A Currency Afloat (for All Of 20 Minutes): NYT 30APR05*</p>
3-Mar	Equity Markets: Balanced Portfolio & Trading Strategy – BCG	<p>George Hoguet, "How the World Works: Behavioral Finance and Investing in Emerging Markets," State Street Global Advisors, <i>Essays and Presentations</i>, (July 25, 2005).</p> <p>Brian Gendreau and Leila Heckman, "Sovereign Spreads and Emerging Market Equities", <i>Journal of Portfolio Management</i>, (Fall 2003).</p>
5-Mar	Globalization and Asset Allocation (Demographics) – BCG	Brian Gendreau, <i>Globalization and Asset Allocation</i> (presentation) ING Investment Management (November 2007)
10-Mar	Sovereign Risk – GDL	<p>Sovereign Debt in Local Currency: WSJ 6/17/05</p> <p>EM debt takes on local flavour: FT 6/03</p> <p>Russia fears Dollars 13bn capital flight after Yukos</p>
12-Mar	Midterm	
17-Mar	No class - Spring break	
19-Mar	No class - Spring break	

Date	Topic		Readings: SP = Student presentation; '**' = courtesy of Prof. Martin J. Siegel
24-Mar	Financial Crises – GDL	SP	Twin crises: NBER Reporter 22DEC01
		SP	At loggerheads over crises: The Banker 01JUL01
		SP	Wrong lessons from Asia's crisis: FT 02JUL07
			Hot money argument: ideological humbug?: FT 14JUL07
26-Mar	Bank Crises – BCG		<i>Beim and Calomiris</i> , chapter 7
			Brian Gendreau, <i>Moral Hazard and Banking</i> (presentation).
31-Mar	Corporate Governance – GDL	SP	Trojan dragons: Economist 03NOV07
		SP	Corporate reform in the developing world: McKinsey Quarterly, 22SEP01 Corporate governance 2005: Euromoney 28SEP05
2-Apr	Risk Management – BCG		Claude Erb, Campbell Harvey, and Tadas Viskanta, "Risk in Emerging Markets," <i>The Financial Survey</i> , July-August 1998.
			<i>Risk Management: A Practical Guide</i> , The Riskmetrics Group, www.riskmetrics.com
7-Apr	Accounting Practices – GDL	SP	Mexican firms return to nominal accounting as hyperinflation fades: Sunday Independent 02DEC07
		SP	Emerging Market Stock Markets appears less risky after Enron scandal: WSJ 25FEB02
9-Apr	Cost of Capital – BCG		<i>Investing in Emerging Markets</i> , chapter 6.
14-Apr	Legal Infrastructure – GDL	SP	FT: Broken promises prove an expensive commodity for Safi, 5/4/96
		SP	Bankruptcy in Thailand: Asian WSJ 22OCT02
		SP	Thailand's Bankruptcy Court Rules Against TPI: DJBN 22FEB01
			Quality of legal infrastructure is a key indicator of economic potential_Direct Marketing 01OCT96

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16-Apr	Global Integration - BCG	<p><i>Investing in Emerging Markets</i>, chapter 5.</p> <p>Geert Bekaert and Campbell Harvey, "Emerging Markets Finance," <i>Journal of Empirical Finance</i>, 10 (2003).</p>
21-Apr	Building Institutions GDL	
23-Apr	Hedge funds - BCG	<p>Franklin R. Edwards, "Hedge Funds and the Collapse of Long-Term Capital Management," <i>Journal of Economic Perspectives</i>, Vol 13, NO. 2 (Spring 1999).</p> <p>NYT: Lewis, How the Eggheads Cracked*</p> <p>SP Invest at Your Own Risk: NYT, 19OCT05*</p> <p>SP Inefficient Markets Fuel Local Hedge-Fund Gains, Barron's 04OCT04*</p>
28-Apr	Electronic Globalization - The Next Step? – GDL	<p>SP Review of the World is Flat: NYT, 30APR05*</p> <p>SP Small and Smaller: NYT 04MAR04*</p> <p>SP A New Twist - Pay for Your Globalization: WSJ, 09AUG06*</p> <p>SP Are low wages OK? NYT, 18AUG06*</p> <p>SP An Argument in Favor of Sweat Shops: NYT, 06JUN06*</p>
30-Apr	Emerging markets – is it a good time to invest? Is it ever? – BCG	
5-May	Catch up and review	