

# ECON 8872: International Finance Syllabus

Time: MW 10:30 am





## Course Outline

### 2 International Real Business Cycles

#### 2.1 A Brief Intro to International Macro and Finance

Engel (2001), "Comment: The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?", NBER Macro Annual

Obstfeld and Rogo (2001), "The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?", NBER Macroeconomics Annual



Burnside, Han, Hirshleifer, and Wang (2013), "Investor Overconfidence and the Forward Premium Puzzle", *REStud*

Ilut (2012), "Ambiguity Aversion: Implications for the Uncovered Interest Rate Parity Puzzle", *AEJ:Macro*

### 3.5 Convenience Yields

Valchev (2017), "Bond Convenience Yields and Exchange Rate Dynamics", working paper

### 3.6 Evidence on the UIP Models

Lustig and Verdelhan (2007), "The Cross-Section of Foreign Currency Risk Premia and Consumption Growth Risk", *AER*

Burnside 2010, "The Cross-Section of Foreign Currency Risk Premia and Consumption Growth Risk: Comment", *AER*

Burnside (2011), "Carry Trade with Verde", *AER*

Meese and Rogo (1991), "An Empirical Assessment of Non-Linearities in Models of Exchange Rate Determination", *REStud*

Rossi (2013), "Exchange Rate Predictability", Handbook Chapter

Diebold and Mariano (1995), "Comparing Predictive Accuracy", *JBES*

Clark and West (2006), "Using out-of-sample mean squared prediction errors to test the martingale difference hypothesis", *Journal of Econometrics*

Clark and West (2007), "Approximately normal tests for equal predictive accuracy in nested models", *Journal of Econometrics*

### **3.8 The Exchange Rate Determination Puzzle (Optional)**

Engel and West (2005), "Exchange Rates and Fundamentals", *JPE*

Evans and Lyons (2002), "Order Flow and Exchange Rate Dynamics", *JPE*

Bacchetta and van Wincoop (2013), "On the Unstable Relationship Between Exchange Rates and Macroeconomic Fundamentals", *JIE*

#### **Additional Readings:**

Evans and Rime (2011), *Micro Approaches to Foreign Exchange Determination*, Working Paper (survey paper)

Berger, Chaboud, Chernenko, Howorka, and Wright (2005), "Order Flow and Exchange Rate Dynamics in Electronic Brokerage System Data", *JIE*

Irrarrazabal, Rime and Valchev (2015?), "A Structural Estimation of Dispersed Information Model of Exchange Rates and Order Flow: What are the main drivers?", draft (hopefully) coming soon

## **4 International Risk-Sharing**

### **4.1 The Backus-Smith Puzzle**

Backus and Smith (1993), "Consumption and Real Exchange Rates in Dynamic Economies with Non-Traded Goods", *JIE*

Corsetti, Dedola and Leduc (2008), "International Risk-Sharing and the Transmission of Productivity Shocks", *REStud*

Brandt, Cochrane, Santa-Clara, "International Risk-Sharing is Better than You Think, or Exchange Rates are too Smooth", *JME*

Burnside and Graveline (2012), "Exchange Rate Determination, Risk Sharing and the Asset Market View", Working Paper





van Nieuwerburgh and Veldkamp (2009), "Information Immobility and the Home Bias Puzzle", *Journal of Finance*

Pesenti and van Wincoop, "Can Nontradables Generate Substantial Home Bias?", *JMCB*

Heathcote and Perri, "The International Diversification Puzzle is Not as Bad as You Think",