Instructor: Pierre De Leo, Tydings 4118D, deleop@umd.edu

Office hours: Sign up at sites.google.com/site/pierredeleo/

Course objectives: This is the first of a two-part second year, field course sequence for Ph.D. students on International Macroeconomics and Finance. The course discusses the classic puzzles and the seminal questions in the literature, and explore some of the areas of research that are currently most active. The goal is two-fold. First, introduce you to the modern models, tools and topics of International Macroeconomics and Finance. Second, give you the necessary background on the literature to help you navigate amongst possible dissertation topics.

Reading List: The reading list below provides an extensive set of references, and we will cover a subset of these papers.

Discussions: Throughout the course, you will give at least one 30-minute discussion of a relevant paper. You can discuss any papers in the reading list, or a relevant paper that you find outside of the reading list. I may encourage you to discuss specific papers. You must spend approximately 20 minutes explaining the findings and contribution of the paper and 10 minutes on your comments, focusing on the issues of substance.

Problem Sets: There will be 2 or 3 problem sets; each will roughly correspond to one of our main topics.

Independent Research Project: Students are expected to work on an independent research project during the semester. The topic of the research project should be broadly in line with those covered in the class. The research projects could be joint with other students in or outside the class, but not with faculty members. Similarly, the project might be a continuation (substantial advancement) of an ongoing research project. Proposals for the project are due in writing by end of November. The objective is for students to be familiar with independent research and focus on what questions they will research in their 3rd year of the PhD.

Grading: Problem sets (25%), Discussions (25%), Independent research project (25%), Participation (25%).

Course-related policies: UMD’s policies on graduate courses and graduate student rights and responsibilities can be found here.
1 International Real Business Cycles

1.1 Introduction


1.2 The Benchmark Two-country RBC Model


1.3 Asset Markets and the International Transmission of Shocks


1.4 Trade Balance and Terms of Trade


1.5 The Backus-Smith Puzzle


1.6 International Comovement


### 1.7 Emerging Market Business Cycles


### 2 Exchange Rate Dynamics

#### 2.1 Exchange Rate Determination Puzzle


2.2 Uncovered Interest Parity (UIP) Puzzle

2.2.1 Facts


2.2.2 Explanations

Based on Risk


**Based on Convenience Yields**

Valchev, R. (Forthcoming) Bond Convenience Yields and Exchange Rate Dynamics, *AEJ: Macro*

**Based on Imperfect Financial Markets**


**Based on Peso Problems**


**Based on Deviations from FIRE**


**Based on Infrequent Portfolio Decisions**

2.3 Covered Interest Parity (CIP) Deviations


3 Product Prices, Exchange Rates, and Monetary Policy

3.1 Exchange Rates and Product Prices


3.2 Real exchange rates and purchasing power parity

3.3 Sticky-price, open-economy models


3.4 Exchange Rate Disconnect in General Equilibrium


3.5 Monetary Policy and Exchange Rates

3.5.1 Evidence on the Exchange Rate Effects of Monetary Policy


3.5.2 Monetary and Exchange Rate Policy in Open Economies: Positive Analysis


### 3.5.3 Monetary and Exchange Rate Policy in Open Economies: Normative Analysis


### 3.5.4 Foreign Exchange Intervention

3.6 Structural Estimation of Open-Economy Models (Optional)


4 International Portfolio Choice and Capital Flows


4.1 International Capital Allocation


4.2 Global Imbalances


4.3 Valuation effects


### 4.4 Global Financial Cycle


### 4.4.1 The Transmission of Global Shocks in Emerging Economies


4.5 The International Monetary System (Optional)


5 Recent JMPs in International Macroeconomics and Finance


Valchev, R. (2020) Bond Convenience Yields and Exchange Rate Dynamics, *AEJ:Macro*


Saffie, F. E., Ates, S. T. (Forthcoming) Fewer but Better: Sudden Stops, Firm Entry, and Financial Selection, *AEJ: Macro*


Liao, G. (Forthcoming). Credit Migration and Covered Interest Rate Parity, *Journal of Financial Economics*


To be continued

6 Miscellanea

What Have Economists Learned About the International Economy? (Gita Gopinath at PIIE, October 2017)

Stanford Big-Data Initiative in International Macro-Finance

7 Useful Textbooks


8 Seminars and Conferences

4th Washington Area International Finance Symposium on September 23, 2022 @ IADB

⇒ Have to register before September 20, 2022

Jacques Polak Annual Research Conference @ IMF (date TBD)

OIFM Seminars on Mondays @ 12.30 PM

⇒ Discontinued but you can view the videos of past talks

UMD Macro/IF Seminars on Wednesdays @ 3.30 PM

⇒ Must attend!

ECON 709 Workshop on Tuesdays @ 12.30 PM

⇒ Must attend!
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<th>Topic</th>
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<td>Aug 30</td>
<td>Syllabus Overview</td>
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<td>Sep 1</td>
<td>International Comovement</td>
<td>Kose-Otrok-Whiteman 03</td>
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<td>International RBC</td>
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<td>Sep 20-22</td>
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<td>Aguiar-Gopinath 07</td>
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<td>Sep 27-29</td>
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<td>Oct 4-6</td>
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<td>ER &amp; Valuation Effects</td>
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<td>Nov 8-10</td>
<td>ER Disconnect in GE</td>
<td>Itskhoki-Mukhin 21</td>
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<td>ER Disconnect Revisited</td>
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<td>Nov 15-17</td>
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<td>Nov 17</td>
<td>Submit Problem Set 2 at <a href="mailto:deleop@umd.edu">deleop@umd.edu</a></td>
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<td>Currency Pricing</td>
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