

Advanced Topics in International Macroeconomics and Finance

February 2020

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Course Overview: This is an advanced graduate-level mini-course in international macroeconomics and finance. The course focuses on applied theory and empirical stylized facts. This course is targeted to advanced students in economics and related disciplines.

The course assumes familiarity with basic theoretical modeling techniques such as optimization and general equilibrium modeling. Similarly, the course assumes familiarity with basic empirical methods and with econometric software of your choice (Matlab, Stata, Python, etc.). Students without the necessary familiarity with these techniques are welcome to take the course, but should expect to have to fill the gaps on their own (and with the help of their classmates!).

Objectives: Given the target audience above, the course has three main objectives.

1) To introduce and investigate both classic and new economic issues at the frontier of current research in international macroeconomics and finance. The purely pedagogical part of the course aims to make you familiar with the questions, the current state of research, and the tools currently being used.

2) To create a mental framework and intuitive understanding of important and active questions. What makes a question interesting? What makes a paper a good paper? How to develop a reasoned view of new (and perhaps yet un-modeled) issues in international economics? This objective is less direct and less formal, but aims to transition the students into full-time researchers.

3) To introduce you to the frontier of research in terms of data and research methodology. The course focuses on recent advances using big data in international macro-finance.

There is no required textbook for the course since we will mainly read and discuss papers on the reading list. All readings are required and have to be done before the intense mini-course.

Theory Module:

Exchange Rates Under Perfect Markets. The Risk Premium View

Exchange Rates Under Imperfect Markets. Portfolio Balance

Gabaix, X. and M. Maggiori. 2015. [International Liquidity and Exchange Rate Dynamics](#), Quarterly Journal of Economics, 130(3), 1369-1420.

FX Intervention as a Policy Tool

Fanelli, S., and L. Straub. 2019. [A Theory of Foreign Exchange Interventions](#). Forthcoming Review of Economic Studies.

Empirical Module:

UIP:

Lustig, H., N. Roussanov and A. Verdelhan. 2011. [Common Risk Factors in Currency Markets](#). *Review of Financial Studies*, 24(11), 3731-3777.

Tarek, A. H., R. C. Mano. 2019. [Forward and Spot Exchange Rates in a Multi-Currency World](#). *The Quarterly Journal of Economics*, 134(1), 397–450.

CIP:

Du, W., A. Tepper, and A. Verdelhan. 2018. [Deviations from Covered Interest Rate Parity](#). *The Journal of Finance*, 73(3), 915–57.

Home Bias

French, K. and J. Poterba. 1991 [Investor diversification and international equity markets](#), *American Economic Review*, 31:222-226.

Currency Composition of Global Portfolios and Home Currency Bias

Maggiori, M., B. Neiman, and J. Schreger. 2019. [International Currencies and Capital Allocation](#). Forthcoming, *Journal of Political Economy*.

Tax Havens

Coppola, A., M. Maggiori, B. Neiman, and J. Schreger. 2019. [Redrawing the Map of Global Capital Flows: The Role of Cross Border Financing and Tax Havens](#). Working Paper.

Sovereign Default

Trebesch C., J. Meyer and C. Reinhart. 2018. [Sovereign Bonds since Waterloo](#). Working Paper.