

Advanced Topics in International Finance

Course Outline: Fall Term 2022

Contact Information

Lecturer: Pasquale, Della Corte
Office: 5.01D, 53 Prince's Gate, South Kensington Campus
E-mail: p.dellacorte@imperial.ac.uk
Web: <https://sites.google.com/view/pasqualedellacorte>
Twitter: @pdellacorte

Course Description

The aim is to provide a solid understanding of selected topics in international finance. I begin with an overview of the institutional characteristics of the foreign exchange market and then proceed to review recent advances in the area of currency mispricing, exchange rate forecasting, international diversification, and currency options.

Topic 1: Foreign Exchange Market Structure

- Handout 1
- King, M.R., C. Osler and D. Rime (2012). “[Foreign Exchange Market Structure, Players and Evolution](#)”, in James, Marsh and Sarno (eds.), *Handbook of Exchange Rates*, Wiley.
- Schrimpf, A. and V. Sushko (2019). “[Sizing Up Global Foreign Exchange Markets](#)”, *BIS Quarterly Review*, December 21–38.

Topic 2: Currency Mispricing

- Handout 2
- Du, W., A. Tepper, and A. Verdelhan (2018). “[Deviations from Covered Interest Rate Parity](#)”, *Journal of Finance*, 73, 915–957.
- Cenedese, G., P. Della Corte, and T. Wang (2021). “[Currency Mispricing and Dealer Balance Sheets](#)”, *Journal of Finance*, 76, 2763–2803.

Topic 3: Exchange Rate Predictability

- Handout 3
- Kremens, L. and I. Martin (2019). “[The Quanto Theory of Exchange Rates](#)”, *American Economic Review*, 109, 810–843.

- Della Corte, P., A. Jeanneret, and E.D.S. Patelli (2022). “[A Credit-based Theory of the Currency Risk Premium](#)”, *Journal of Financial Economics*, forthcoming.

Topic 4: Currency Risk Premia

- Handout 4
- Della Corte, P., S.J. Riddiough and L. Sarno (2016). “[Currency Premia and Global Imbalances](#)”, *Review of Financial Studies*, 29, 2161–2193.
- Lustig, H., N. Roussanov and A. Verdelhan (2011). “[Common Risk Factors in Currency Markets](#)”, *Review of Financial Studies*, 24, 3731–3777.

Topic 5: Currency Options and Trading Strategies

- Handout 5
- Della Corte, P., T. Ramadorai and L. Sarno (2016). “[Exchange Rate Predictability and Volatility Risk Premia](#)”, *Journal of Financial Economics*, 120, 21–40.
- Czech, R., P. Della Corte, S. Huang, and T. Wang (2022). “[FX Option Volume](#)”, *Working Paper*, Bank of England.