

## COURSE TECHNICAL DATA

Course Information	
ECTS Credits	3
Degree	Master in Finance / Master Universitario en Finanzas por la Universidad Pontificia de Comillas
Professor	Gonzalo Gómez Bengoechea // Elvira Bobillo
Name	Monetary Policy & Economic Analysis I
Email	g.gomez@advantere.org // e.bobillo@advantere.org

## OBJETIVOS Y CONTENIDOS

OBJECTIVES
<p><b>General Competencies</b></p> <p><b>CG2 Critical Thinking: Use critical thinking for decision-making and problem-solving in financial management processes.</b> RA1: Interpret, analyze, synthesize, and evaluate ideas critically.</p> <p><b>CG3 Teamwork: Apply techniques and methodologies that promote teamwork and mutual collaboration in talent management projects with companies and organizations.</b> RA1: Commit and cooperate in defined roles to achieve the objectives related to tasks, activities, projects, and assigned responsibilities.</p> <p><b>CG6 Global and Local Orientation: Analyze current financial problems in a local and global environment considering complex economic aspects, cultural, social, and ethical factors.</b> RA1: Ability to analyze current problems in a local and global environment considering complex economic aspects, cultural, social, and ethical factors.</p> <p><b>Specific Competencies</b></p> <p><b>CE11: Understand in-depth the national and international economic and financial situation, derive scenarios, and project them, as well as establish dependencies with products and financial decisions.</b> RA1: Know the different macroeconomic and microeconomic indicators and variables that allow short-term analysis and short-term evolution of a national economy or the global economy, and know how to evaluate the relative importance of these indicators in different economic cycles, as well as prepare reports from them for both developed and developing economies.</p>
CONTENTS
<ul style="list-style-type: none"> <li>• Monetary Policy and Economic Analysis <ul style="list-style-type: none"> <li>- Inflation and Monetary Policy.</li> <li>- Economic Cycles and Monetary Policy I</li> <li>- Economic Cycles and Monetary Policy II</li> <li>- Labor Market and Monetary Policy</li> <li>- Building a Bridge: Fiscal and Monetary Policy</li> <li>- Monetary Policy and Exchange Rates</li> </ul> </li> </ul>



- B. Country Analysis
  - Political and Country Risk
  - Introduction to Country and Political Risk
  - How Country and Political Risk Affects Business and Investment Decisions.
  - Types of Risks: geopolitical, terrorism, expropriation, contract default, currency inconvertibility, transfer restrictions, etc.
  - Country Risk Assessment
    - Information and economic intelligence collection
    - Key public sources of country risk information
    - Key private sources
  - Sovereign Debt
    - Sovereign debt analysis
    - Sovereign bond spreads
    - Credit Default Swaps as an instrument to hedge sovereign bond risk
    - Rating agencies' methodology
    - Debt crisis and sovereign debt restructurings
  - Country Risk Mitigation Instruments
    - Products and solutions from Multilateral Institutions and Development Banks: IFC, MIGA, EBRD, ADB, IADB, CAF, AfDB, etc.
    - The role of ECAs (Export Credit Agencies)
    - The role of private insurance companies for PRI (Political Risk Insurance)
    - Selection of countries for investment or export and risk mitigation strategy

## TEACHING METHODOLOGY

### General methodological aspects of the course

Monetary Policy and Economic Analysis is a course that attempts to link monetary policy with the economic reality that underpins central banks' decisions. The main objective of central banks is to keep inflation stable in the long run. This objective can be complemented with general secondary purposes related to employment or economic stability. This course will shed light on the main factors behind the rationality of central banks: prices, employment, and economic cycles. Additionally, the relationship of monetary policy with fiscal policy and financial aggregates will be studied.

Country Risk Assessment is fundamental for international business. This course will also introduce students to the analysis of country and political risks and how they can affect companies' global activities. Country risk analysis has become an essential component of strategic decisions related to export, direct investment, partnerships, and mergers and acquisitions. We will explain the different types of political risks affecting the interests of governments and investors, how risks vary between countries and regions, and how they change over time. Students will learn different methods to measure country risk and the main tools for its mitigation, applying these techniques to real cases and presenting the



results of their analysis.

From a methodological point of view, students will work with company and country cases using the latest empirical evidence available. Data handling and analysis will be the main teaching strategy in each class. Students are expected to be highly involved and actively participate in work sessions.

## EVALUATION AND GRADING CRITERIA

Evaluation Activities	(%)
Case Studies	30%
Economic Analysis of a Country - Exam - 40%	50%
Participation	20%

### Grading

**Class Participation:** Students will be evaluated for their proactive contribution in class by offering ideas and/or regularly asking questions and/or consistently working on the group project all the time. These ideas or questions should aim to enrich and/or expand discussions by relating the discussed topics to others, either from the same course or a different one. Students should listen without interrupting when others speak, either working in groups or in class, incorporating new angles into the discussion or elaborating more on other students' ideas. Additionally, contributing to the overall class environment and being positively prepared for sessions, i.e., covering the recommended readings for each session, will be taken into account.

Full attendance is mandatory (including class excursions/site visits, Master Classes, and informal sessions, among others) and will be checked at the beginning of each class; students who miss many classes or are frequently late will see a reduction in their participation grade. Personal trips do not constitute justified absences. Unjustified absences will have the following penalty on the class participation grade rubric:

- One unjustified absence: -15% reduction in the final class participation grade.
- Two unjustified absences: -40% reduction in the final class participation grade.
- More than two unjustified absences will cause a 60% reduction in the final class participation grade. The student will not be allowed to take the exam and will, therefore, be required to take the makeup exam. If the student passes the makeup exam, their final Class Participation grade will be limited to 5.0.

Tardiness is a sign of disrespect towards the professor and other students and should not be allowed. Therefore, students arriving more than 10 minutes late to class will have to wait outside until the break.

Finally, the role played in the final group project presentation will also be considered for this part of the final grade.

**Exercises, Case Studies, and Group Project:** Throughout the course, exercises based on real cases will be reviewed. To make the most out of the class, students are asked to prepare them in advance. Some of these exercises will be defined for individual completion and others in groups.

If there is a Group Project in a company, the final grade will be determined by the average of the following criteria: 50% (company tutor/s); 25% (Professor); 25% (average of student self-evaluation/co-evaluation).



If the project is not in a company, then the evaluation criteria will be 75% (Professor) and 25% (average of student self-evaluation/co-evaluation). If a student does not pass the Exercises and/or Group Project, they will have to agree with the responsible professor on the activities needed to pass.

**Final Exam:** The final exam will generally consist of a set of multiple-choice questions, short/long essays, and/or practical exercises. The exam evaluates the understanding and analysis of all course concepts along with practical exercises based on the topics discussed in class.

A minimum grade of 5 (out of 10) is required on the final exam for all evaluation criteria (Participation/Exercises/Project) to be weighted as indicated in the program. An average weighted grade of more than 5 is required to pass the course.

If a student does not obtain at least a grade of 5.0 (out of 10), the student must take the "makeup" exam.

**Makeup:** The course grade will be calculated as follows: the makeup grade will be limited to the median grade of the students who passed the first exam. The final makeup grade will be weighted with the Class Participation, Exercises, and Group Project grades.

## BIBLIOGRAPHY AND RESOURCES

### Basic Bibliography

- CORE Project (2022). "Economy Society and Public Policy" - CORE Project
- Díaz-Giménez J. (2020). "Macroeconomics for nearly everyone". Edited by Díaz-Giménez J. Macroeconomics for nearly everyone
- Howell Llewellyn PhD. "The Handbook of Country and Political Risk Analysis". East Syracuse, New York: The PRS Group, a Division of International Business Communications.
- Bremmer I. and Keat P. "The Fat Tail" (Oxford University Press, 2009).
- Braun A. & Fischer M. (2018). "Handbook of Political Risk Insurance". Institute of Insurance Economics, I. VW-HSG, University of St. Gallen.
- Press: The Economist, Financial Times, Wall Street Journal.
- Databases: International Monetary Fund, World Bank, OECD, Eurostat, National Central Banks, National Ministries of Economy and Finance, National Statistical Offices, Thomson Eikon, International Labor Organization, Bank of International Settlements. Public and private databases to analyze the economic situation of the different countries studied during the course.
- Academic papers, articles, and business cases are provided by the professors before each class.