

Boldface page number indicates glossary term.

A

ABN AMRO, 374
 Account transactions in balance of payments
 capital account, **102**–103
 current account, **102**, 103–106, 119–123
 official reserves, **102**–103, 107–108
 Accounting standards, international
 differences in, 585–586
 Acharya, Viral V., 6, 34
 Ad valorem duties, **656**
 Adjusted net present value (ANPV),
 521–523, 554
 cash flow analysis, 523–527 (*See also*
 Cash flows; Flow-to-equity (FTI);
 Weighted average cost of capital
 (WACC))
 earnings before interest and taxes
 (EBIT), **525**
 financial side effects, 528–531
 costs of financial distress, **529**–530
 costs of issuing securities, 528
 discount rate for tax shields, 529
 equilibrium amount of debt, 530
 subsidized financing, 530–531
 tax shields, 528–529
 flow-to-equity (FTE), 521
 free cash flows, 526–527
 incremental profit, **524**–525
 net operating profit less adjusted taxes
 (NOPLAT), **526**
 perpetuity formula, 527n, 552
 real options, 531–534
 revenues and costs, 525
 steps in, 522–523
 discount the cash flows of all-equity
 firm, 522, 522n
 net present value of financial side effects
 (NPVF), **523**
 value any real options (ROs), **523**
 terminal value of a project, 527
 weighted average cost of capital
 (WACC), 521
 Adler, Michael, 450n, 472
 Affiliate banks, **375**
 Affiliate-parent transfers, in cash
 management, 650–660
 African Development Bank, 19
 “After a Devaluation, Two African Countries
 Fare Very Differently,” *Wall Street*
 Journal, 156n, 172
 Agency costs, **524**
 Agency theory, **11**–12
 Aggarwal, Rajesh K., 406, 426
 Aggregate versus individual incentives, 152
 Agricultural Bank of China, 402
 Ahmadinejad, 479
 Aitken, Brian J., 27n, 28n, 34
 Aizenman, Joshua, 144n, 172
 Akram, Farooq, 187, 204
 Alcalá, Francisco, 2n, 34
 Algorithmic trading firms, 41
 All-in-cost (AIC) principle, **385**–388
 Allayannis, George, 612, 615
 Allen, Franklin, 15, 34
 Almeida, Heitor, 358, 397
 Alternative cost-of-capital models, 428,
 466–469
 Alternative trading systems, 406
 Altman, Edward I., 530n, 552
 AMB, 5
 Amegbeto, Koffi, 156n, 172
 American Depository Receipts (ADRs),
 413–416
 American International Group (AIG),
 9, 727–728
 American option, **683**
 American quote, **46**
 Amiti, Mary, 27, 34
 Ammer, John, 57n
 Andersen, Torben G., 95, 97, 329, 352
 Andrade, Sandro C., 489n, 519
 Ang, Andrew, 369n, 397, 437, 466, 468, 472
 Andrade, Sandro C., 489n, 519
 Anglo-Saxon stock market model, 402–403
 AngloGold, 423
 Anheuser-Busch InBev, 1, 9
 Anshuman, V. Ravi, 519
 Anti-globalist movement and MNCs,
 26–28
 Antofagasta, 577
 Appreciation, **62**, 63–65
 Aracruz Celulose SA, 69n
 Arbitrage, **36**
 covered interest, 179–186
 goods market, 250–251
 pricing, 714–716
 pricing theory (APT), **467**
 triangular, 49–52, 223n
 ArcelorMittal, 1, 9
 ARCH model, 94n
 Argentina, Convertibility Plan, 158, 159
 Arrowhead system, 407
 Ashanti Goldfields Corporation, 423
 Asian Development Bank, 19
 Asian Tigers, 345–347
 Ask rate, **52**
 Asset market approach, to fundamental
 exchange rate forecasting analysis,
 326–327
 Asset securitization, **378**
 Assets, in balance of payments, 111
 Association of Southeast Asian Nations
 (ASEAN), 3, 164, 164n
 Asymmetric economic shocks, 168, 169
 Asymmetric information, 604
 Automation and electronic trading, 406–407
 Average-rate options, 708–709

B

Baba, Naohiko, 188, 204
 Back-to-back loans, and swaps, **724**–725
 Bai, Yan, 125, 126, 130
 Baillie, Richard, 97
 Baker, James, 481
 Baker Plan, **481**
 Baku-Tbilisi-Ceyhan (BTC) Pipeline, 31
 Balance of payments (BOP), **101**–132
 account transactions in
 capital account, **102**–103
 current account, **102**, 103–106,
 119–123
 official reserves, **102**–103, 107–108
 assets in, 111
 dynamics of, 115–119
 international investment income
 account, **116**
 net international investment position,
 117–119
 net international investment position or
 net foreign assets, **116**–117
 trade account, **115**–116
 openness of international capital markets,
 125–126
 Point-Counterpoint, 123–125
 and the real exchange rate, 332
 surpluses and deficits in, 108–115
 capital and financial accounts, 110–113
 current account, 108–110
 official settlements account, 112–114
 savings and spending link to, 119–123
 worldwide statistics, 114–115
 Balance of Payments Manual (IMF), 105
 Balance-sheet hedge, **357**
 Balassa, Bela, 267, 280
 Baldwin, Richard E., 34, 169n, 172
 Ball, Laurence, 7n, 8, 35
 Ball, Ray, 586, 588
 Banco Santander Central Hispano SA, 374
 Bangkok Airways, 662n
 Bank Austria, 372
 Bank for International Settlements (BIS), 20,
 21, 38, 67, 83, 97, 118, 130, 362n,
 367, 376, 397, 751
 Web site, 378n
 Bank holidays, 191n
 Bank line of credit, 629
 Bank of America, 354, 454
 Bank of Credit and Commerce International
 (BCCI), 376
 Bank of England, 8
 Bank of Mexico, 345
 Bank of New York Mellon, 412, 413, 415,
 416n, 426
 Banker’s acceptance (B/A), **622**, 630
 Bankhaus Herstatt, 59

- Barclay Currency Traders Index (BCTI), 340
- Barclays Global Investors (BGI), 18, 43, 374
- Barings Bank, 7
- Barrick Gold, 477
- Barrier options, **709**
- Bartelsman, Eric J., 654n, 670
- Barter and clearing arrangements, 637
- Bartram, Söhnke M., 611, 612, 615
- Base money or monetary base, **141**
- Basel Accord of 1988, **377**
- Basel Accord requirements, 361
- Basel Committee on Banking Supervision, 20, 21
- Basel II, 377–378
and European Union, 378
- Basel III and the crisis, 378–379
- Basis point adjustment on the swap, **743**
- Basis risk, **680**
- Basket of currencies, **135**
- Baxter, Marianne, 126, 130, 331n, 322
- Bear Sterns, 9
- Becht, Marco, 13, 34
- Beer, Christian, 229, 239
- Beetsma, Roel, 654n, 670
- Beijing Investment Guide, 639
- Beim, David, 347n, 352
- Beine, Michel, 150, 172
- Bekaert, Geert, 25, 26, 34, 95, 97, 139n, 169n, 172, 230, 231, 239, 343, 352, 360, 369n, 373, 397, 401n, 410, 421, 426, 435, 437, 458, 460, 460n, 461, 463, 466, 472, 493, 509, 519
- Bell-shaped curve, 215n
- Benchmark problem, in the capital asset pricing model (CAPM), 452–454
- Benchmarks, and forecasting models, 326
- Bernanke, Ben S., 144, 370, 397
- Betas, 215n, **216**, **448**
- Bharti Enterprises, 11
- Bid-ask spreads, 43, **52–55**, 85, 201
in forward foreign exchange market, 85
hedging cost, 592
- Bid rate, **52**
- Big Mac standard in (MacPPP) purchasing power parity (PPP), **258–261**
- Bilateral investment treaties (BITs), **497**
- Bills of lading (B/L), **618–620**
- Binomial option pricing, **716**
- Bjornes, Geir H., 67
- Black, Fischer, 701n, 713
- Black Rock, 428, 428n
- Black, Susan, 391, 397
- Blackstone Group, 14, 23
- Blocked funds, **644**
and transfer pricing, 658
- Bloom, Nicholas, 7, 34
- Bloomberg, 57
- Bloomberg Finance, 397
- BNP Paribas, 57, 58, 374
- Bodnar, Gordon M., 462n, 472, 610, 611, 615
- Boeing, 662n
- Bolivia debt buyback, 482–483
- Bollerslev, Tim, 94, 95, 97, 329, 352
- Bolton, Patrick, 13, 34, 603, 615
- Bond portfolio effect, 148
- Bond pricing, 196–197
- Bond proceeds and coupon rates, in currency swaps, 741–745
- Bondholder and stockholder conflicts, in capital budgeting, 582–585
- Bonds
- Brady bonds, **483**, 499–500
 - bullet, 367
 - convertible, **368–369**
 - deep-discount, 196
 - “Dim Sum” bonds, 370–371
 - domestic, 361
 - dragon bonds, **367**
 - dual-currency, **369–371**
 - equity-related, 368–371
 - foreign, 361
 - global bonds, 366–367
 - international. *See* International bonds
 - pure discount, **196**
 - zero-coupon, 196, 367
- Bookrunners, 366
- Boone, Peter, 484, 520
- Borensztein, Eduardo, 28, 34, 497, 519
- Borri, Nicola, 509n, 519
- Boubakri, Narjess, 413, 426
- Brady bonds, **483**, 499–500
- Brady, Nicholas, 483
- Brady Plan, **483–484**
- Brand loyalty, 312
- Branstetter, Lee, 28n, 34
- Breakout in chartism, **334**
- Bretton Woods, 18
target zone system, 159
- Bretton Woods Agreement, **152**
- BRICs, 1
- Bris, Arturo, 422, 426
- British Telecom, 416
- Broda, Christian, 254, 255, 280
- Brooks, Robin, 436, 472
- Brown, Gregory W., 605, 608n, 609, 614
- Brown, Martin, 391, 397
- Brown, Stephen J., 456, 472
- Brunner, Alan D., 57n
- Brunnermeier, Markus, 232, 239
- Bullet bonds, 367
- Bulow, Jeremy, 482n, 519
- Bundesbank, 344–345
- Burger, John D., 370, 397
- Burnside, Craig, 234, 239, 343, 352
- Buybacks, **638**
- Buyer credit, **630–631**
- C**
- Caballero, Ricardo J., 370, 397
- Cai, Fang, 464, 472
- California Public Employees’ Retirement System (CalPERS), 22
- Campa, José Manuel, 314
- Campbell, John Y., 435, 472
- Campello, Murillo, 358, 397, 612, 615
- Canadian Environmental Law Association, 498
- Cantale, Salvatore, 422, 426
- Canzoneri, Matthew B., 267, 280
- Capital account, **102–103**
and fundamental exchange rate forecasting analysis, 332
subcategories in, 111–113, 115
transactions, 107–108
- Capital allocation line (CAL), **441**
- Capital and financial accounts in balance of payments, 110–113
- Capital asset pricing model (CAPM), **216–218**, 241–242, **446–457**. *See also* Cost of equity capital assumptions and origins, 446 the benchmark problem, 452–454 derivation of (advanced), 446–447 domestic versus world, **449–451** international CAPM, 450–**451**, 451n interpretation of, 447–449 in practice, 451–457 usefulness of CAPM, 466–467
- Capital budgeting, 521–552. *See also* Cash flows approaches to, 554–561 (*See also* Adjusted net present value (ANPV); Weighted average cost of capital (WACC))
- bondholder and stockholder conflicts, 582–585
risk incentives, 582–583
underinvestment problem, **583–585**
- case study (CMTC Australian project), 563–572
- forecasting cash flows, 561–563
- international differences in accounting standards, 585–586
- Point-Counterpoint, 576–577
- tax shields on foreign currency borrowing, 577–582
- terminal value, 572–576, **573**
equilibrium rate of return on investment, 573–575
with perpetual growth and expected inflation, 575–576
return on investment (ROI), **573**
- Capital controls, **144n**
- Capital expenditures (CAPX), **524**, 526
- Capital flight, **107**
- Capital flows, 101
- Capital inflow, **107**
- Capital markets, openness of, 125–126
- Capital mobility, in the impossible trinity, 144
- Capital needs, and cross-listing, 423
- Capital outflow, **107**
- Carry trades, 227–229
- Casablanca Stock Exchange, 410–411
- Cash flow analysis, 523–527 (*See also* Cash flows; Flow-to-equity (FTI); Weighted average cost of capital (WACC))
- Cash flows
- currency choice, 561–562
 - discounted cash flow approach problems, 553
 - discounting foreign, 562–563
 - forecasting, 561–563 (*See also* Adjusted net present value (ANPV); Flow-to-flow equity (FTE) approach; Weighted average cost of capital (WACC))
 - foreign subsidiary value, 535
 - free cash flows (FCF), **523–527**
 - International Wood Products, Inc. (IWPI) case study, 535–549
 - parent versus subsidiary, 534–535
 - Point-Counterpoint, 533–534
- Cash in advance, 621–622

- Cash management, 644–650
 affiliate-parent transfers, 650–660
 altering terms of trade, 660
 blocked funds, 658
 dividend payments, 651–652
 pricing, 642, 653–660
 reinvesting locally, 659–660
 royalties and management fees, 652
 with centralized pool, 644–650
 forecasts of cash flows, 647
 limits to centralization, 650
 multilateral netting systems, **647–649**
 precautionary demand for money, **645**,
 649–650
 short-term cash planning, 645–646
 surpluses and deficits, 646
 transactions demand for money,
644–645
 constraints on, 644
 Cassel, Gustav, 246, 272, 280
 Cavallo, Domingo, 158
 CEESEG (Central and Eastern Europe Stock
 Exchange Group), 404
 Central banks, 140–147.
 balance sheet, 141–144
 domestic credit, 141–142
 the impossible trinity or trilemma, **144**,
 147
 money creation and inflation, 143–144
 official reserves, **142–143**
 reserves and currency in circulation,
 141
 foreign exchange interventions, 144–146,
 148–151
 non-sterilized interventions, **145**
 sterilized interventions, **145–147**
 pegging the exchange rate, 146–147
 Centralization limits, 650
 Centralized debt denomination, **356**
 Centralized pool with cash management,
 644–650
 Cerberus Capital Management, 419
 Certificate of analysis, **621**
 Certificate of origin, **621**
 Cetorelli, Nicola, 43, 67
 Chaboud, Alain, 41, 67
 Chakrabarti, Avik, 331n, 352
 Chang, P. H. Kevin, 336, 352
 Chartism
 in technical analysis of forecasting,
 334–336
 versus statistical technical analysts, 322
 Chauffour, Jean-Pierre, 635n, 641
 Chavez, Hugo, 475, 477, 516
 Chen, Hui, 603, 615
 Chen, Joseph, 466, 468, 472
 Cherkaoui, Mouna, 410n, 411, 411n, 427
 Chernenko, Sergey, 730, 751
 Cheung, Yin-Wong, 190n, 204
 Chhaochharia, Vidhi, 497, 519
 Chi-square distribution, 244
 Chi-X Europe, 406, 416
 Chicago Mercantile Exchange (CME), 192n,
 673
 China
 stock market manipulation in, 405–406
 stock markets, 401, 402
 trilemma in China, 147
 China Eximbank, 634
 China Export & Credit Insurance Corp.
 (SINOSURE), **635**
 China Venture Capital Group, 405–406
 Chinese National Offshore Oil Corporation
 (CNOOC), 31–32
 Chinn, Menzie D., 34, 144n, 172, 231, 239
 Chiquoine, Benjamin, 41, 67
 Chor, Davin, 635, 641
 Chrysler Corporation, 418
 Chui, Michael, 382, 397
 CIBOR (Copenhagen), 184n
 Ciccone, Antonio, 2n, 34
 Citibank, 18, 39, 42, 43, 57, 354
 CITIC Group, 9
 CITIC Pacific, 69
 Citigroup, 413
 Claes, Anouk, 365n, 397
 Clarida, Richard H., 329, 338, 352
 Claus, James, 456, 472
 Clausing, Kimberly A., 654n, 670
 Clean acceptance, **630**
 Clean bill of lading, **620**
 Clearing arrangements, **637, 637**
 Clearing House Interbank Payments System
 (CHIPS), **58**
 Clearing member, **673**
 Clearinghouse, **673**
 Clements, Kenneth W., 261, 280, 334, 352
 Clinton, Bill, 479
 Clipper Windpower, 616
 Closed-end funds, **439**
 CME Globex electronic trading platform, 672
 CME Group, 672, 687
 CMTC Australian project (case study),
 563–572
 Coca-Cola, 1, 439, 479
 Coffey, Niall, 188n, 204
 Collateralized debt obligations (CDOs), 7
 Commercial Mexicana, 60
 Commercial forecast services, evaluating, 340
 Commercial invoices, **620**
 Commodity Futures Trading Commission
 (CFTC), **672, 673**
 Common Agricultural Policy, European
 Union, 24
 Common carriers, 618
 Communauté Financière d’Africa (CFA),
 136, 154–156
 Communication and funds transfers, in
 foreign exchange market, 57–61
 Comparative advantage, **2**
 law of, 2n
 Comparative borrowing advantage, 735–740,
737
 Compensatory trade, **639**
 Competitive marketplace, 42–43
 Conditional expectation, **74, 100, 208**
 Conditional mean, **74**
 Conditional probability distribution, **74, 100,**
 208
 Conditional standard deviation, **100**
 Conditional variance, 100n
 Conditionality, International Monetary Fund
 (IMF), 152
 Conditionality volatility, **100**
 Confidence level tests, 245, 337n
 Confirmed documentary credit, **625**
 Consignee and consignor, 618
 Consular invoice, **621**
 Consumption expenditures, 131
 Continuous compounding, 68, 317, 317n
 Continuous linked settlement (CLS), 60
 Contract maturities and value dates, 84
 in forward foreign exchange market, 84
 Contract repudiation, 477
 Control Risk Group (CRG), ratings system,
 492
 Conversion, **705**
 Convertibility Plan in Argentina, and
 dollarization, 158, 159
 Convertible bonds, **368–369**
 Convertible currency, 154n
 Convex tax code, **599**
 Cooley, Thomas, 6, 34
 Corporate governance signal, and
 cross-listing, 422
 Corporate scandals, 12
 Corporations, and currency forecasts, 315
 Correlations, **215, 215n**
 Correspondent banks, **375**
 Corruption and legal inefficiency, 477–478
 Corruption Perceptions Index, 477
 Cosset, Jean-Claude, 413, 426
 Cost-of-capital models, 428, 466–469
 Cost of equity capital, 428–474. *See also*
 Weighted average cost of capital
 (WACC)
 alternative cost-of-capital models, 428,
 466–469
 arbitrage pricing theory (APT), **467**
 Fama-French models, 467–469
 usefulness of CAPM, 466–467
 capital asset pricing model (CAPM),
446–457
 assumptions and origins, 446
 the benchmark problem, 452–454
 derivation of (advanced), 446–447
 domestic versus world, **449–451**
 international CAPM, 450–**451**, 451n
 interpretation of, 447–449
 in practice, 451–457
 integrated versus segmented markets,
 457–466
 cost of capital in, 458–561
 equity market liberalizations, **459–461**,
 460n
 home bias, **463–466**
 investing in emerging markets,
 457–458
 Point-Counterpoint, 464–465
 time-varying integrations, 461–463
 international diversification, 433–439,
 458n, 474
 investment hurdle rates, 438–439
 return correlations, 435–437
 risk reduction, 433–437
 Sharpe ratios, 437–439
 optimal portfolio allocation, 439–445, **440**
 mean-standard deviation frontier,
 443–445, **444**
 one risky asset, 440–442
 the optimal portfolio, 442–443
 preferences, 440
 risk and return of investments, 429–433
 expected returns, 432–433
 risks, 429–430
 Sharpe ratios, 433
 volatility, 430–432

- Costs of financial distress, **529–530**
 Costs of issuing securities, 528
 Counterpurchases, **638**
 Countertrade, **637–639**
 Country and political risk, **475–520**. *See also*
 Country credit spreads; Political risk
 country risk analysis, 489–490
 country risk ratings, **489–492**
 country versus political risk, 475–484
 financial and economic risk factors, 476
 Country credit spreads, **495–509**. *See also*
 Country and political risk
 Brady bonds, 499–500
 computing politic risk probabilities, 508–509
 default probabilities with positive recovery values, 501–502
 Mexican peso crisis and country risk (case study), 502–505
 Point-Counterpoint, 506–508
 and political risk probabilities, 501
 sovereign credit ratings, 496–497
 taking governments to court, 497–498
 Country funds, **439**
 Country risk analysis, 489–490
 Country risk premium, **193**
 Country risk ratings, **489–492**
 Country versus political risk, 475–484
 Coval, Joshua D., 465n, 473
 Covariance, **215**, 215n
 Covered interest arbitrage, 179–186
 Covered interest rate parity, **173–181**, 315, 318–319
 Cowan, Kevin, 497, 519
 Cox, John C., 714n, 716n, 722
 Crawling pegs, 133, 162–164, **163**
 Credit default swaps (CDS), **727–728**
 Credit ratings, **386–387**
 sovereign, 496–497
 Credit risk cover, 632
 Credit risk of currency futures, 672–673
 Credit transactions, **103**
 Cross-border bond market, 362
 Cross-border trading, 398
 Cross-currency settlement risk, 58–60, **59**.
 See also Herstatt risk
 Cross-holding, **400–401**
 Cross-listing, **404**, 411–424. *See also*
 International equity financing;
 Stock markets
 advantages and disadvantages of, 419–424
 American Depository Receipts (ADRs), **413–416**
 background, 411–413
 global depository receipts (GDRs), **416–419**
 global registered shares, **418–419**
 steps to ADR listing, 415–416
 Cross-rates, **48–49**
 Crucini, Mario J., 126, 130
 Cumby, Robert E., 261, 267, 280
 Currencies
 basket of, **135**
 of denomination, 356
 fluctuating, 156
 and purchasing power parity, 246
 supply and demand for, 101
 symbols of, 45
 Currency boards, **136**, 139, 157–158
 balance sheet of, 157
 defined, 157
 history of, 157
 Currency boards and monetary unions, 139
 Currency choice, and cash flows, 561–562
 Currency convertibility, 154n
 Currency crises, 341–348. *See also* Exchange rate forecasts; Financial crisis (global 2007–2010)
 causes, 341–343
 contagion, **342–343**
 macroeconomic conditions, 341–342
 self-fulfilling expectations, 342, 342n
 examples, 343–348
 predicting, 343
 Currency devaluations, 101
 Currency markets, illegal, 154
 Currency quotes and prices, in foreign exchange market, 43–52
 Currency risks, in exchange rate systems, 136–140
 Currency speculation and profits and losses, 208–211
 Currency swaps, 201, **725**, 732–749. *See also* Swaps
 absolute borrowing advantage, **737**
 bond proceeds and coupon rates, 741–745
 comparative borrowing, 735–740, **737**
 examples, 733–735, 735–740, 737–740
 financial intermediary in, 737–740
 as forward contract package, 745–747
 mechanics of, 734–735
 Point-Counterpoint, 740–741
 rationale for, 748–749
 sources of gains from, 740
 value of, 747–748
 Currency traders, 101
 Currency warrants, **688–689**
 Currenex, 41, 42
 Current account, **102**
 in balance of payments, 108–110
 and fundamental exchange rate forecasting analysis, 329–333
 and government deficits, 120–121
 surplus or deficit in balance of payments, 110
 Current account transactions, and currency convertibility, 154n
 Cylinder options, **707–708**
- ## D
- Dabora, Emile, 417, 427
 Daimler AG, 419
 Daimler-Benz AG, 418, 423
 DaimlerChrysler AG, 418, 419
 Damodaran, Aswath, 507n, 519
 Dark pools, **407**
 Datastream, 499n
 Davis, Josh, 338, 352
 De Bondt, Gabe J., 402n, 427
 De Ceuster, Mark J. K., 265n, 397
 De Gregorio, José, 28, 34
 De Haas, Ralph, 382, 397
 Debit transactions, **103**
 Debt arrangers, 384
 Debt buyback, **481**
 Debt Crisis (1980s), **479–484**. *See also*
 Country and political risk; Financial crisis (global 2007–2010)
 Baker Plan, **481**
 Bolivia debt buyback, 482–483
 Brady Plan, **483–484**
 origins of, 479–480
 Debt-equity swap, **481**, 532n
 Debt financing. *See* International debt financing
 Debt instruments
 characteristics of, 356–362
 types of, 367–371
 Debt overhang, 481n
 Debt portfolios, 358
 Debt tradability, 361
 Decentralized debt denomination, **357**
 Deemed-paid credit, **542**
 Deep-discount bonds, 196
 Default probabilities with positive recovery values, 501–502
 Default risks, 187–188
 Deficit, **108**
 Deficit finance, 144
 Deflation, **247**
 Del Negro, Marco, 436, 472
 Delta neutral, **719**
 Delta of an option, **718–719**
 Demand curve, **282**
 DeMarzo, Peter M., 615
 Demutualization, **405**
 Density function, **98**
 DePalma, Anthony, 498n, 519
 Depository receipts, in international equity financing, 411–419
 Depository Trust Company (DTC), 419
 Depository receipt (DR), **413**
 Depreciation, **62**, **524**
 of exchange rates, 63–64
 Derivative securities, **6**, **590**, **671**
 Desai, Mihir, 25, 26, 27, 34, 670
 Designated Market Makers (DMMs), 408
 Determination of exchange rates, 218
 Deutsche Bank, 41, 43, 340, 384, 413, 418
 Deutsche Börse, 404, 418
 Deutsche Börse Clearing (DBC), 419
 Devaluation or depreciation risk, 665–666
 Devaluation premium, **234–236**
 Devaluations, **62**
 Developing countries, fixed exchange rate systems in, 153–154
 Diba, Behzad, 267, 280
 Didier, Tatiana, 458n, 473
 Diebold, Francis X., 329, 352
 Diermeier, Jeff, 439, 473
 Digital or binary options, **709–710**
 “Dim Sum” bonds, 370–371
 Dimson, Elroy, 455, 456, 473
 Ding, Liang, 55, 67
 Direct debt, 361
 Direct quotes, **44**
 Dirty float currency system, **137**
 Discipline, in fixed-rate regime, 156
 Discount rate adjustments, and political risk, 487–489
 Discount rate for tax shields, 529
 Discount rates, 522n
 Discount the cash flows of all-equity firm, 522, 522n

- Discounted cash flow approach problems, 553
- Discounting foreign cash flows, 562–563
- Dittmar, Robert, 338, 353
- Diversification, international, 433–439, 458n, 474
- Djankov, Simeon, 478, 519
- Documentary collections, **627–628**
- Documentary credits, **622–627**
- Documents, in international trade, 618–621
- Documents against acceptance (D/A) collection, **627**
- Documents against payment (D/P) collection, **627**
- Dodd-Frank Wall Street Reform and Consumer Protection Act (2010), 379, 728
- Dodd, Randall, 710, 713
- Doha Round, 3, 23
- Doidge, Craig, 413n, 422, 424, 427
- Dollarization, **158–159**, 158n
and Convertibility Plan in Argentina, 158, 159
official, 158–159
unofficial, 158
and Zimbabwe dollar, 159
- Domanski, Dietrich, 382, 397
- Domestic bond markets, 362–364
- Domestic bonds, 361
- Domestic capital asset pricing model (CAPM), **449**
- Domestic credit, 141–142
- Domestic monetary autonomy, in impossible trinity, 144
- Domestic versus world capital asset pricing model (CAPM), **449–451**
- Dominguez, Kathryn M.E., 150, 172
- Domowitz, Ian, 193, 204, 411, 427, 519
- Dooley, Michael P., 125n, 130
- Dornbusch, Rudiger, 158n, 172, 246, 280, 352
- Double-entry accounting system, 103
- Drafts, 622
- Dragon bonds, **367**
- Dual-currency bonds, **369–371**
- Duarte, Jefferson, 413, 427
- Duffie, Darrell, 615, 751
- Duhalde, Eduardo, 158
- Dumas, Bernard, 450n, 451, 462n, 472, 473
- Dumping, 638
- Durbin, Erik, 497, 519
- Dynegy, 14
- D**
- EAC countries, 164, 164n
- Early exercise, **683**
- Earnings before interest and taxes (EBIT), **525**
- Eastern Caribbean Currency Union (ECCU), 136
- Economic and monetary union (EMU), **21**
- Economic depreciation, 526
- Economic exposure, **283**
The Economist, 314, 491
- Economist Intelligence Unit (EIU), 491
- Edge Act banks, **376**
- Edison, Hali J., 331n, 352
- Edwards, Sebastian, 158n, 172
- Efficient frontier, **444–445**
- Eichenbaum, Martin, 234, 239, 343, 352
- Eichengreen, Barry, 151n, 172, 343, 352
- Electrica del Valle de Mexico (EVN), 616
- Electronic Brokering Service (EBS), 40
- Electronic communication networks (ECNs), 41, 406
- Electronic foreign exchange trading (eFX), 40–42. *See also* Foreign exchange market
- Electronic order book, 412n
- Electronic platforms, 41
- Electronic trading, 406–407
- Eligible banker's acceptance, **630**
- Ellis, Jesse, 18, 34
- Embargoes, 101
- Emerging markets, investing in, 457–458
- Emerging stock markets, **401**
- Emgesa, 370
- Energies Nouvelle (EDF), 616
- Engel, Charles M., 221n, 239, 255, 280, 329, 336n, 352
- Engle, Robert, 94n
- Enron Corporation, 12
- Equilibrium, and fundamental exchange rate forecasting analysis, 333
- Equilibrium amount of debt, 530
- Equilibrium rate of return on investment, 573–575
- Equities, central banks investing in, 143
- Equity financing. *See* Cost of equity capital; International equity financing
- Equity market liberalizations, **459–461**, 460n
- Equity-related bonds, 368–371
- Equity risk premium, **455**
- Errunza, Vihang, 460n, 473
- Erste Bank, 372
- Estimator, **243**
- Esty, Ben C., 515n, 519
- Ethnic violence and terrorism, 478
- Eubanks, Walter W., 378n, 397
- Eun, Cheol, 397
- Euro, 133, 143, 149, 169
economic benefits of, 169n
versus franken, 166
- Euro bond issues with forward hedging, 745–747
- Euro-commercial paper (Euro-CP), 383
- Euro-equity market, **416**
- Euro Interbank Offered Rate (EURIBOR), 184n
- Euro-medium-term notes (Euro-MTNs), **383**
- Eurobanks, **379**
- Eurobond market, 365–366
- Eurobonds, **362**
primary and secondary markets for, 366
- Eurocredits, **379–383**
- Euromarket*, 355
- Euromoney*, 43, 69n, 97, 354, 370
Cash Management Debate, 650
ratings system, 491
- Euronext, 404
- Euronotes, **383**
- European Bank for Reconstruction and Development, 19
- European Central Bank (ECB), 168
- European Community (EC), 164
- European currency crises, 343–345
- European currency unit (ECU), **135**, **165–166**
- European Economic Community (EEC), **2**
- European Financial Stability Facility, 170
- European Monetary Institute (EMI), 168
- European monetary integration, 164–170
euro versus franken, 166
European Central Bank (ECB), 168
European Community (EC), 164
European Currency Unit (ECU), **165–166**, 344
European Monetary Institute (EMI), 168
European Monetary System (EMS), 164–165, **165**, 166–167, 345
European Monetary Union, 164, 344–345
European System of Central Banks, 168
Exchange Rate Mechanism (ERM), 165
Exchange Rate Mechanism (ERM) II, 168
intervention rules, 165
Maastricht Treaty (1991), 164, 166, 167–168
pros and cons of a monetary union, 168–170
realignment rules, 165
European Monetary System (EMS), 137–138, 164–170, **165**, 341
European Monetary Union (EMU), 133, 164–170
- European option, **683**
- European quote, **46**
- European Rating Agency (Eurorating), 387
- European System of Central Banks, 168
- European Union, **2**, **3**, 20–21, 170
and Basel II, 378
Common Agricultural Policy, 24
defined, 157
and Greece, 132
and international banks, 372, 376
- Eurozone, **168**
- Evaluating forecasts, 323–325
- Everett, Simon J., 34
- Ex ante* real interest rate, 317
- Ex-Im Bank, **634**
- Exchange controls, **190–191**
and political risk, 477
- Exchange rate forecasts, 315–353
evaluating commercial forecast services, 340
evaluating forecasts, 323–325
parity conditions in, 315–321
Fisher hypothesis, 316–318, **317**
international, **318–320**
real interest rates, 320–321
Point-Counterpoint, 338–340
predicting devaluations, 341–348. *See also* Currency crises
techniques (*see* Fundamental analysis; Technical analysis)
- Exchange Rate Mechanism (ERM), 165, 343
- Exchange Rate Mechanism (ERM) II, 168
- Exchange rate quotes, 44–47
- Exchange rate systems, 133–172
central banks, 140–147
balance sheet, 141–144
foreign exchange interventions, 144–146
pegging the exchange rate, 146–147
currency risks in, 136–140

- Exchange rate systems (*continued*)
- currency boards and monetary unions, 139
 - floating rates, 137
 - pegged currencies, 139
 - quantifying, 136
 - target zones, 137–139
- European Monetary System (EMS), 164–170
- existing arrangements, 133–136
 - currency boards, **136**
 - fixed rates or pegged currencies, **135**
 - floating currencies, **134**
 - managed floating, 135
 - no separate legal tender, 135–136
 - target zones and crawling pegs systems, 136
 - worldwide, 133–134
 - fixed, 151–159
 - currency boards, 157–158
 - in developing countries, 153–154
 - dollarization, **158–159**
 - illegal currency markets, 154
 - monetary system history, 151–153
 - reasons for, 156–157
 - flexible, 148–151
 - limited-flexibility systems, 159–164
 - Point-Counterpoint, 154–156
 - trends in, 140
 - trilemma in China, 147
- Exchange rates, **44–47**
- changes in, 61–65
 - cross-rates, **48–49**
 - currencies and symbols, 65
 - depreciation of, 63–64
 - determination of, 218
 - fixed, 108
 - forecasting, 218
 - long-term forward, 173
 - methods of quoting, 44–47
 - multiyear forecasts of future, 173
 - pegging, 146–147
 - and purchasing power parity (PPP), 261–265
 - risk from (*see* Transaction exchange risk)
 - in triangular arbitrage, 49–52
 - vehicle currencies in, 47–48
- Exchange-traded funds (ETFs), 428n, **439**
- Exchange trading, 671–672
- Exercise price, **683**
- Exotic options in foreign currency option contracts, **706–710**
- Expectations hypothesis, **360–361**
- Expected rate of inflation, **317**
- Expected real interest rate, **317**
- Expected value, **99**
- Export cannibalization, **524**
- Export credit agencies (EDA), 634
- Export credit insurance, 635
- Export factoring, **632–633**
- Exporters, documentary credits to, 622–624
- Exports, **102**. *See also* International trade
- Expropriation, **475**, 476–477
- External bond market, 362
- External currency market, **182–184**
- External debt market, 361
- External equity market, **416**
- External purchasing power, **249–250**
- Ezzell, John R., 588
- ## F
- Fama, Eugene F., 231n, 239, 456, 467, 467n, 468, 473
- Fama-French models, 467–469
- Farhi, Emmanuel, 370, 397
- Farole, Thomas, 635n, 641
- Fat tails (leptokurtosis), 74
- Faulkender, Michael, 361, 397, 730, 751
- Faust, Jon, 329, 352
- Federal Deposit Insurance Corporation (FDIC), 375
- Federal Reserve Bank. *See* U.S. Federal Reserve Bank
- Federal Reserve System, 479
- Fedwire, **58**
- Feenstra, Robert C., 654n, 670
- Fehle, Frank R., 615
- Feldstein, Martin, 125, 126, 130
- Fernandes, Nuno, 421, 427
- FIGARCH model, 94n
- Filter rules, technical analysis of forecasting, **336–337**
- Financial account, **102–103**. *See also* Capital account
- Financial crisis (global 2007–2010), 7–9, 21, 88, 141. *See also* Currency crisis; Debt crisis (1980s)
- Basel III and, 378–379
 - credit default swaps and the financial crisis, **727–728**
 - deviations from interest rate parity during, 188–190
 - and swap market, 730
 - and the trade finance gap, 635–636
- Financial disintermediation, **361**
- Financial distress, costs of, **529–530**
- Financial intermediary, in currency swaps, 737–740
- Financial openness, affecting globalization, 3, 57, 25–26
- Financial Services Agency (FSA), Japan, 362
- Financial Services Authority (FSA), U.K., 362
- Financial slack, **524**
- Financial Times*, 47, 132, 198
- Financial Times Actuaries (FTA) Index, 452
- Fisher hypothesis, 316–318, **317**, 450n
- Fisher, Irving, 315, 316, 352
- Fixed exchange rate systems. *See under* Exchange rate systems
- Fixed exchange rates, 108
 - in impossible trinity, 144
 - or pegged currencies, **135**
- Fixed maturities, 672
- Fixed-rate debt, **359**
- Fixed versus floating-rate debt, 728–730
- Flexible exchange rate systems, 148–151
- Floating currencies, **134**
 - managed floating, 135
- Floating exchange rates, 137
- Floating-rate debt, **359**
- Floating-rate notes (FRNs), 367–368
- Flood, Robert, 341, 352
- Flow of Funds Accounts, Federal Reserve Bank, 18
- Flow-to-equity (FTE) approach, **554**, 559–561
 - equivalence to other approaches, 560
 - pros and cons of, 561
- Fluctuating currencies, 156
- Foerster, Stephen, 420, 427
- Foley, C. Fritz, 25, 26, 27, 34, 670
- Folkerts-Landau, David, 125n, 130
- Forbes, Kristin, 34, 670
- Ford Motor Company, 17
- Ford Motor Credit, 391
- Forecast errors, **212–213**
- Forecasting cash flows, 561–563
- Forecasting exchange rates, 218. *See also* Exchange rate forecasts
- Foreign bond market, 364
- Foreign bonds, 144, 361
- Foreign branches, **375**
- Foreign currency call option, **683, 696**
- Foreign currency futures contracts, **671–683**
 - for emerging markets, 678
 - examples, 678–679, 681
 - forwards versus, 671–675, 676
 - hedging with, 678–683. *See also* Hedging origins of, 673
 - Point-Counterpoint, 682–683
 - pricing of, 675–678
- Foreign currency liability, 194
- Foreign currency option contracts, 608n, **683–710**
 - exotic options, **706–710**
 - pricing (appendix), 714–721
 - arbitrage pricing, 714–716
 - binomial option pricing, **716**
 - comparative statistics for, 718
 - continuous time case, 716–718
 - delta of an option, **718–719**
 - elasticity, 720
 - gamma of a call option, **719–720**
 - implied volatility, **721**, 721n
 - rhos of an option, 720
 - theta of an option, **720–721**
 - vega of an option, 720
 - in risk management
 - 689–706. *See also* Hedging examples, 689–695
 - as insurance, 695–698
 - speculation, 600–701
 - valuation, 701–706
 - terminology, 683–685
 - trading, 685–689
- Foreign currency put option, **683, 701**
- Foreign currency receivable, 194–195
- Foreign direct investment (FDI), **11, 16**, 116, 118. 532n. *See also* Institutional investors
- effects on multinational activity, 27–28, 28n
 - and multinational corporations (MNCs), **16–18**, 27–28
 - as a percentage of GDP, 16
 - and trilemma in China, 147
 - volume of, **16–18**
- Foreign exchange brokers, **39–40**
- Foreign exchange dealers, **39**
- Foreign exchange interventions, by central banks, 144–146, 148–151
- Foreign exchange market, **36–68**. *See also* Electronic foreign exchange trading (eFX); Forward foreign exchange market
- central bank intervention in, 143
 - communication and funds transfers, 57–61

- currency quotes and prices, 43–52
 - multinational corporations in, 40
 - organization of, 36–43
 - Point-Counterpoint, 56–57
 - spreads (*see* Bid-ask spreads)
 - top 20 dealers in, 43
 - Foreign exchange quotas, and transfer pricing, 658
 - Foreign exchange reserves, **142**
 - Foreign exchange risk, and dividend payments, 651
 - Foreign exchange risk premiums, 230–232
 - Foreign investment, deregulation of, 6
 - Foreign markets, and multinational corporations (MNCs), 911
 - Foreign subsidiary value, 535
 - Forex. *See* Foreign exchange market
 - Forfeiting, **631**–632, 631n
 - Forward contracts, **76**
 - in currency swaps, 745–747
 - speculation with, 207–208
 - Forward foreign exchange market, **69**, 83–93. *See also* Foreign exchange market
 - bid-ask spreads, 85
 - contract maturities and value dates, 84
 - net settlement, 88
 - organization, 83
 - organized futures foreign exchange market, 69n
 - over-the-counter forward markets, 69n
 - premiums and discounts, 91–93
 - swap market in, 89–91
 - Forward market investment, **207**
 - Forward market return, **207**
 - Forward premiums, 70
 - and discounts, 178–179
 - Forward rate bias, **225**–227
 - Forward rates, **76**, 221n, 324–325, 590n
 - Forward settlement date, **84**
 - Forward value date, **84**
 - Forwards versus foreign currency futures contracts, 671–675, 676
 - Foul bill of lading, **620**
 - Franchising, **9**, 11
 - Frankel, Jeffrey A., 2n, 34, 126, 130, 150, 172, 231, 239
 - Free cash flows (FCF), **523**–527
 - French, Kenneth R., 456, 467, 467n, 468, 473
 - Frequency distribution, **98**
 - Friedman, Milton, 148, 172, 673
 - Frontier stock markets, **401**
 - Fronting loans, **658**–659
 - Froot, Kenneth, 219, 231, 239, 312n, 314, 417, 427, 505n, 519, 603, 615
 - Fujikawa, Megumi, 364, 397
 - Full-service banks, **372**
 - Fundamental exchange rate forecasting analysis, **321**, 325–334. *See also* Exchange rate forecasts
 - asset market approach, 326–327
 - and capital account, 332
 - current account, 329–333
 - equilibrium, 333
 - model evaluation in, 326
 - monetary approach, 328
 - news and, 329
 - random walk model, 329, 330, 334–336
 - sticky prices and overshooting, 328–329
 - Future exchange rate forecasts, 173
 - Future exchange rates, probability distribution of, 74–76
 - Future spot exchange rate, 70
 - Future value of money, **176**
 - Futures commission merchant (FCM), **672**
 - Futures quotes, 676–678
 - FX Concepts, 341, 341n
 - FXConnect, 41
- ## G
- Gagnon, Louis, 418, 427
 - Galati, Gabriele, 143, 172, 239
 - Gallaugh, John, 37, 67
 - Gamma of a call option, **719**–720
 - Garber, Peter M., 125n, 130, 341, 352
 - GARCH model, 94, 94n, 95
 - Garman, Mark B., 701n, 713
 - Gavin Anderson & Company, 415, 426
 - Géczy, Christopher, 611, 615, 729, 751
 - Gehrig, Thomas, 322, 352
 - General Agreement on Tariffs and Trade (GATT), **23**, 20
 - General Electric, 9
 - Generally accepted accounting principles (GAAP), 414, 424, 585, 585n
 - Ghysels, Eric, 410n, 411, 411n, 427
 - Giannetti, Mariassunta, 382, 397
 - Gifts to foreign countries, 105–106
 - Giovannini, Alberto, 231, 239
 - Glass Steagall Act of 1999, 375
 - GlaxoSmithKline (GSK), 642
 - Glen, Jack, 193, 204, 411, 427, 519
 - Glick, Reuven, 343, 352
 - Global bonds, **354**, 366–367
 - Global depositary receipts (GDRs), 413, **416**–419
 - Global financial crisis. *See* Financial crisis (global 2007–2010)
 - Global minimum-variance portfolio, **444**
 - Global Offset and Countertrade Association (GOCA), **637**
 - Global registered shares, **418**–419
 - Global Trade Finance Program, 636
 - Globalization, **19**
 - anti-globalist movement and MNCs, 26–28
 - financial openness affecting, 3, 57, 25–26
 - future of, 28
 - government role in, 21–22
 - international banks role in, 18
 - international trade growth and, 2–5 (*see also* Multinational corporations)
 - investor's role in, 22–23
 - and official reserves, 143
 - Point-Counterpoint, 31–32
 - pros and cons, 223–228
 - trade openness affecting, 24
 - Globalization and Its Discontents* (Stiglitz), 24, 35
 - Goedhart, Mark, 523n, 552, 585n, 588
 - Goetzmann, William N., 456, 472
 - Gold
 - price of, 153
 - reserves of, 142, 152
 - world supplies of, 152
 - Gold standard, **151**
 - Goldberg, Linda, 27n, 34, 314
 - Goldberg, Pinelopi Koujianou, 302, 314
 - Goldman Sachs, 32
 - Goods in balance of payments, 109
 - Goods market arbitrage, 250–251
 - Gopinath, Gita, 302, 314
 - Gorton, Gary B., 34
 - Gourinchas, Pierre-Olivier, 118, 130, 370, 397
 - Government purchases, 131
 - Government
 - financial management role of, 21–22
 - role in globalization, 21–22
 - Government deficits, and current account, 120–121
 - Government sources, for financing exports, 634–635
 - Graham, John R., 603, 615
 - Gray, Stephen, 139n, 172, 343, 352
 - Great Depression (1930s), 18, 151, 152, 636
 - The Great Moderation, 456
 - Greece, and European Union, 132
 - Greek default (2010), 169
 - Greenfield investments, 11
 - Greif, Avner, 617n, 641
 - Grenadier, Steven, 552
 - Griffin, John M., 451, 473
 - Griffoli, Tommaso Mancini, 188n, 189, 204
 - Gross domestic product (GDP), **1**, **114**
 - comparing using PPP exchange rates, 269–270
 - and expenditures, 131–132
 - foreign direct investment (FDI) as percentage of, 16
 - in national income formula, 121, 130–132
 - trade liberalization and, 6
 - Gross national income (GNI), 132
 - Group of Eight (G8) Summit (2007), 26
 - Growth opportunities, and cross-listing, 423
 - Growth option, **523**
- ## H
- Hail, Luzi, 420, 423, 427, 586, 588
 - Halling, Michael, 421, 427
 - Hamilton, James, 329, 336n, 352
 - Hammond, Grant T., 641
 - Hansen, Lars Peter, 239
 - Hanson, Gordon H., 654n, 670
 - Harris, Robert S., 453, 473
 - Harrison, Ann E., 27n, 28n, 34
 - Harrod-Balassa-Samuelson effect, 334
 - Harrod, Roy, 267, 280
 - Harvey, Campbell R., 25, 26, 34, 169n, 172, 373, 397, 401n, 409, 410, 426, 458, 460, 460n, 461, 465, 472, 473, 493, 519
 - Hayt, Greg S., 611, 615
 - He, J., 405n, 427
 - Heath, Alexandra, 239
 - Hedge funds, **22**–23
 - and foreign exchange market, 40
 - Hedging, **69**, 69n, 589–615, **590**. *See also* Risk
 - in a modern corporation, 590–591
 - in an entrepreneurial venture, 590
 - arguments against, 592–598
 - bad incentives, 598, 598n
 - costs, 592–593
 - difficulty of, 593–598

- Hedging (*continued*)
- arguments for, 598–604
 - financial distress reduction, 603
 - improved decision making, 603–604
 - improved management assessment, 604
 - tax reduction, 598–603
 - cost of, 218, 219–221
 - derivative securities, **590**
 - Euro bond issues with forward hedging, 745–747
 - financial effects of, 612
 - in futures contracts, 678–683. *See also*
 - Foreign currency futures contracts
 - Modigliani-Miller proposition, **591**–592
 - money market hedge, **193**
 - in options contracts, 689–695. *See also*
 - Foreign currency option contracts
 - Point-Counterpoint, 81–83, 219–221, 604–605
 - rationale of real firms, 605–609
 - HDG Inc. (pseudonym), 608–609
 - Merck's rationale, 606–608
 - and transaction exchange risk, 76–81
 - transaction risk in the money market, 190n, 193–195
 - trends in, 610–612
 - understanding competitors, 612
 - versus speculation, 82
- Helmerich & Payne, 477
- Henriksson, Roy D., 325n, 352
- Henry, Elaine, 586, 588
- Henry, Peter B., 460, 473
- Herstatt risk, 58–60, **59**
- Hilscher, Jens, 509n, 519
- Hines, James, Jr., 25, 26, 27, 34
- Hirtle, Beverly, 43, 67
- Histogram, 73, **98**
- Hjalmarsson, Erik, 41, 67
- Hodrick, Robert J., 95, 97, 435, 465, 466, 472, 473
- Home bias, **463**–466
- Home-country restrictions, 478–479
- Hong Kong Monetary Authority, 133, 157
- Hong Kong Stock Exchange, 402
- Horioka, Charles, 125, 126, 130
- Hostile takeovers, 14–15
- HotSpot, 41
- Hrung, Warren B., 188n, 204
- HSBC, 359
- Hu, Yu-Hau, 334, 353
- Huberman, Gur, 465n, 473
- Hurdle rates, 438–439
- Hutchison, Michael, 343, 352
- Hyperinflation, 144. *See also* Inflation of the 1970s, 158 and the interwar period, 151
- IBM, 11, 38
- Icahn, Carl, 14
- Icelandic króna versus Latvian lat, 347–348, 348n
- Idiosyncratic risk, **215**
- Idiosyncratic variance, **434**–435
- Illegal currency markets, 154
- Imbs, Jean M., 255, 280
- Implied volatility, **721**, 721n
- Import competitors, and real exchange risk, **287**
- Importers, documentary credits to, 624
- Imports, **102**. *See also* International trade
- Impossible trinity or trilemma, **144**, 147
- Income comparisons, using purchasing power parity (PPP), 268–270
- Incremental profit, **524**–525
- Index funds, **446**
- Indirect quotes, **46**
- Individual investors, 22
- Individual versus aggregate incentives, 152
- Industrial and Commercial Bank of China, 32
- Ineligible banker's acceptance, **630**
- Inflation, **247**. *See also* Hyperinflation
 - calculating, 248–249
 - and central banks, 143–144
 - expected rate of, **317**
 - and interest rates, 316
- Information set, **208**
- Information technology, and outsourcing, 3
- Infosys, 589
- Initial margin, **673**
- Input sourcing, 310
- Institutional Investor*, ratings system, 491
- Institutional investors, 22. *See also* Foreign direct investment (FDI)
- Instituto Nacional de Ecología (INE), 477
- Insurance, 620–621
 - for political risk, 510–514
- Integrated markets, **461**
 - versus segmented markets, 457–466
- Inter-American Development Bank, 19, 484
- Interbank market, **36**–38. *See also* Foreign exchange market
- Interest and dividend receipts and payments, 105
- Interest rate parity, 173–204. *See also*
 - Uncovered interest rate parity (UIRP)
 - covered interest arbitrage, 179–186
 - a box diagram, 180–181
 - with transaction costs (advanced), 184–186
 - covered interest rate parity, **173**–181
 - covered interest rate arbitrage, **175**
 - intuition behind interest rate parity, 175–176
 - time value of money, 176
 - deriving interest rate parity, 177–179
 - with continuously compounded interest rates (advanced), 179
 - forward premiums and discounts, 178–179
 - general expression for, 177–178
 - deviations from, 187–193
 - default risks, 187–188
 - exchange controls, **190**–191
 - financial crisis (2007–2010), 187, 188–190, 188n
 - investing in Mexico, 191–193
 - political risk, **191**
 - the external currency market, **182**–184
 - affecting other capital markets, 184
 - transaction costs in, 182–183
 - hedging transaction risk in the money market, 190n, 193–195
 - foreign currency liability, 194
 - foreign currency receivable, 194–195
- London Interbank Offer Rate (LIBOR), **184**, 184n, 189, 190
- long-term forward rates and premiums, 199–201
- Point-Counterpoint, 192–193
- term structure of interest rates, **196**–199
 - bond pricing, 196–197
 - deriving long-term spot interest rates, 198–199
 - spot interest rates, **196**
 - yields to maturity, **197**–198
- Interest rate swaps, **726**
- Interest rates
 - and inflation, 316
 - procyclical and countercyclical, 360n
 - expected real, **317**
- Interest subsidies, **531**
- Intermediated debt, 361
- Internal debt market, 361
- Internal purchasing power parity, **249**
- Internal Revenue Service. *See* U.S. Internal Revenue Service (IRS)
- International Accounting Standards Board, 585
- International Bank for Reconstruction and Development (IBRD), **19**
- International banking, 371–379. *See also*
 - Central banks; International debt financing
 - activities in, 371–372
 - banks as MNCs, 372–374
 - and European Union, 372, 376
 - and globalization, 18
 - loans by, 379–384
 - Eurocredits, **379**–383
 - Euronotes, **383**
 - major debt arrangers, 384
 - major countries in, 372
 - organizational structure of, 374–376
 - regulations governing, 376–379
 - Basel Accord of 1988, **377**
 - Basel II, 377–378
 - Basel III and the crisis, 378–379
- International banking facilities (IBFs), 182, **376**
- International barter, **637**
- International bonds, 362–371. *See also*
 - Bonds; International debt financing
 - “Dim Sum” bonds, 370–371
 - dragon bonds, **367**
 - Eurobond market, 365–366
 - foreign bond market, 364
 - global bonds, 366–367
 - size and structure of market, 362
 - types of debt instruments, 367–371
- International capital market equilibrium. *See* Cost of equity capital
- International CAPM, 450–451, 451n
- International Center for the Settlement of Investment Disputes (ICSID), **498**
- International Chamber of Commerce (ICC), 618, 641
- International Country Risk Guide (ICRG)*
 - monthly, Political Risk Services Group (PRS Group), 492–495
- International debt financing, 354–397
 - banks' role in (*see* International banking)
 - costs of, 384–394
 - all-in-cost (AIC) principle, **385**–388

- minimizing, 388–392
 - rating agencies, 386–388
 - debt instrument characteristics, 356–362
 - domestic bond markets, 362–364
 - international bond market (*see* International bonds)
 - Point-Counterpoint, 392–394
 - sources of, 354–356
 - International Development Association (IDA), **19**
 - International differences in accounting standards, 585–586
 - International diversification, 433–439, 458n, 474
 - International equity financing, 398–427. *See also* Stock markets
 - depository receipts in, 411–419 (*See also* Cross-listing)
 - Point-Counterpoint, 417–418
 - strategic alliances in, **424**
 - International Factors Group (IF-Group), 632
 - International Finance Corporation (IFC), **19**, 411, 458, 636
 - International financial reporting standards (IFRS), 585–586, 585n
 - International Financial Statistics, 403n
 - International Fisher relationship, 315
 - International investment income account in balance of payments, **116**
 - International Monetary Fund (IMF), 18, 21, 26, 115n, 130, 132n
 - Balance of Payments Manual*, 105
 - conditionality, 152
 - debt crisis (1980s), 480, 483, 484
 - related reserve assets, 142
 - special drawing rights (SDR), 152–153
 - International monetary system before 1971, 151–153. *See also* International Monetary Fund (IMF)
 - Bretton Woods Agreement, **152**
 - gold standard, **151**
 - hyperinflation and the interwar period, 151
 - individual versus aggregate incentives, 152
 - Smithsonian Institution agreement, 152
 - International Organization for Standardization (ISO), 44
 - International parity conditions, in exchange rate forecasts, **318–320**
 - International Swaps and Derivatives Association (ISDA), **724**, 732, 751
 - International trade, 616–641
 - countertrade, **637–639**
 - barter and clearing arrangements, 637
 - buybacks, **638**
 - compensatory trade, **639**
 - counterpurchases, **638**
 - offsets, **638–639**
 - switch trading, **638**
 - documents, 618–621
 - financing exports, 629–636
 - bank line of credit, 629
 - banker's acceptances, 630
 - buyer credit, **630–631**
 - export factoring, **632–633**
 - forfeiting, **631–632**, 631n
 - government sources, 634–635
 - selling accounts receivable, 631
 - growth and globalization, 25
 - payment methods, 621–629, 633
 - cash in advance, 621–622
 - documentary collections, **627–628**
 - documentary credits, **622–627**
 - sales on open account, **628–629**
 - Point-Counterpoint, 636
 - problem with, 616–618
 - International Wood Products, Inc. (case study), 535–549
 - Intertemporal budget constraint, **122**
 - Intervention rules, in European monetary integration, 165
 - Interwar period, and hyperinflation, 151
 - Inverted swap spreads, 730
 - Investment barriers, **458**
 - Investment Company Act (1940), 22
 - Investment hurdle rates, 438–439
 - Investment income in balance of payments, 110
 - Investment spending, affecting balance of payments, 122–123
 - Investment structuring, 509–510
 - Investment trusts, **439**
 - Investments Technology Group (ITG), 408
 - Investors
 - financial management role of, 22–23. *See also* Shareholders
 - role in globalization, 22–23
 - Ireland default (2010), 169
 - Iron Curtain, fall of, 2
 - Irrevocable D/C, **625**
 - Issuing securities, costs of, 528
 - Ito, Hiro, 34, 144n, 172
 - Itskhoki, Oleg, 302, 314
- J**
- Jaffee, Jeffrey F., 467n, 473, 598n, 615
 - Japan Credit Rating Agency (JCR), 387
 - Japanese Offshore Market (JOM), 376
 - Jeanne, Olivier, 143, 172, 342n, 352
 - Jenkins, Nicole Thorne, 730, 751
 - Jensen, Michael C., 11, 34, 524, 552
 - Johannes, Michael, 732n, 751
 - Johnson, Simon, 484, 520
 - Joint ventures, **11**, **424**
 - repatriation in, 652
 - and transfer pricing, 658
 - Jordà, Òscar, 333n, 338, 352
 - Jordan, Bradford D., 598n, 615
 - Jorion, Philippe, 231, 239
 - JPMorgan, 378
 - JPMorgan Chase, 8, 32, 39, 384, 413, 416
 - Ju, Jiandong, 125n, 130
 - Jung-tae, Kim, 422
 - Jylhä, Petri, 224, 239
- K**
- Kalay, Avner, 530n, 552
 - Kaminsky, Graciela L., 342n, 343, 352
 - Karnani, Aneel, 17, 34
 - Karolyi, Andrew G., 413n, 418, 419, 420, 422, 424, 427
 - Kasa, Kenneth, 296n, 314
 - KBC (Belgian bank), 372
 - Kearney, A. John, 605n, 615
 - Keiretsu, 15
 - Kerviel, Jérôme, 7
 - Keynes, John Maynard, 342
 - Khwaja, Asia I., 406, 427
 - KIKO contracts, 710
 - Kim, E. Han, 460, 473
 - King, Michael R., 67, 239, 295
 - Klein, Michael W., 156, 157, 172
 - Klein, Naomi, *No Logo*, 26n, 34
 - Klemperer, Paul D., 312n, 314
 - Kleshchelski, Isaac, 234, 239
 - Knetter, Michael M., 302, 314
 - Kohlberg Kravis Roberts & Co., 23
 - Kolhagen, Steven W., 701n, 713
 - Koller, Tim, 523n, 552, 585n, 588
 - Kong, Katie, 413, 427
 - Kookmin Bank, 422
 - Kose, M. Ayhan, 26, 34
 - Krugman, Paul, 341, 352
 - Kryazidou, Ekaterini, 64n
 - KT Corporation, 364
 - Kugler, Peter, 382, 397
 - Kurtosis, 99
 - Kwan, Yum K., 157, 172
- L**
- La Porta, Rafael, 15, 34, 478, 519
 - Laeven, Luc, 382, 397
 - Lag operation, **162**
 - Lagging payments, **663**
 - Lahaye, Jerome, 150, 172
 - Lan, Yihui, 261, 280, 334, 352
 - Lane, Philip R., 6n, 34, 118, 130
 - Lang, Mark, H., 422, 427
 - Laranjeira, Bruno, 358, 397
 - Latvian lat versus Icelandic króna, 347–348, 348n
 - Laurent, Sebastien, 150, 172
 - Laux, Paul A., 95, 97
 - Law of iterated expectations, 213n, 327n
 - Law of one price
 - and purchasing power parity (PPP), 251–256, **252**
 - violations of, 299
 - Lead-lag operations, 162
 - Lead managers, 366
 - Lead operation, **162**
 - Leading and lagging payments, 355n
 - Leading payments, **663**
 - LeBaron, Blake, 336, 353
 - Lee, Inmoo, 528, 552
 - Lee, Jong-Wha, 28, 34
 - Lee, Yoolim, 710, 713
 - Leeson, Nicholas, 7, 34
 - Lefebvre, Jérémie, 408, 427
 - Legal inefficiency, 477–478
 - Legal tender, 135–136
 - Lehman Brothers, 8, 9, 88, 189, 728
 - Leptokurtosis (fat tails), 74
 - Lessard, Donald R., 302n, 314
 - Lettau, Martin, 435, 456, 472, 473
 - Letter of credit (L/C), 622n
 - Leuz, Christian, 413, 420, 423, 427, 586, 588
 - Level I ADRs, **414**
 - Level II ADRs, **414**
 - Level III ADRs, **414**
 - Leveraged buyouts (LBOs), 559n
 - Levich, Richard M., 230, 239, 336, 340, 353

- Lewent, Judy C., 605n, 615
 Li, Haitao, 729, 751
 LIBOR. *See* London Interbank Offer Rate Licensing, **9**
 Licensing agreements, **534**
 LIFFE CONNECT, 672
 Limited-flexibility systems, 159–164
 crawling pegs, 162–164, **163**
 target zone system, **159**–162
 defending target zone, 162
 lead-lag operations, 162
 speculative attacks, 161
 Lin, Chen, 612, 615
 Lin, Stephen, 586, 588
 Lins, Karl V., 422, 423, 427
 Lintner, John, 446, 473
 Lipsey, Robert E., 27n, 34
 Liquidating dividend, **524**
 Liquidity, **39**
 and cross-listing, 421
 Liu, Francis T., 157, 172
 Lizondo, Saul, 343, 352
 LLSV articles, 15
 Loans by international banks, 379–384
 Lockhead, Scott, 528, 552
 Lockheed Martin Corporation, 639
 Logarithms, 67–68
 London Interbank Offer Rate (LIBOR), **184**,
 184n, 189, 190, 359
 London Stock Exchange, 407, 417
 Long Term Capital Management (LTCM),
 727
 Long-term currency swap market, 85n
 Long-term forward exchange rates, 173
 Long-term forward rates and premiums,
 199–201
 Longin, François, 436, 473
 Longstaff, Francis A., 509n, 520
 Lookback options, **709**
 Lopez-de-Silanes, Florencio, 15, 34, 478, 519
 Losq, Etienne, 469n, 473
 Lothian, James R., 267, 280
 Louvre Accord of 1987, 150
 Lowenstein, Roger, 727, 751
 Lu Liang, 405
 Ludvigson, Sydney, 456, 473
 Lundblad, Christian, 25, 26, 34, 169n, 172,
 373, 397, 410, 426, 461, 472, 493,
 509, 519
 Lustig, Hanno, 224, 239
 Lyons, Richard K., 52, 57n, 67
 Lyytinen, Jussi-Pekka, 224, 239
- M**
- Ma, Guonan, 204
 Ma, Yue, 612, 615
 Maastricht Treaty (1991), 21, 164, 166,
 167–168, 343, 344
 Madhavan, Ananth, 193, 204, 411, 427, 519
 Madoff, Bernard, 12
 MAE. *See* Mean absolute error
 Magendzo, I. Igal, 158n, 172
 Maghribi (Jewish traders), 617n
 Maintenance margins, **674**
 Majluf, Nicolais, 615
 Major debt arrangers, 384
 Malkiel, Burton G., 435, 472
 Management strategies, for real exchange
 risk, 309–312
 Mankiw, N. Gregory, 7n, 8, 35
 Mannesmann A.G., 15, 382
 Manova, Kalina, 635, 641
 Mao, Connie X., 729, 751
 Marazzi, Mario, 302, 314
 Marginal account, **673**
 Margin call, **674**
 Marginal cost, **297**
 Marginal revenue, **297**
 Mark, Nelson C., 329, 352, 353
 Market capitalizations, 390–400
 Market efficiency, and unbiasedness
 hypothesis, 213–214
 Market entry decisions, 312
 Market equilibrium. *See* Cost of equity capital
 Market impact, **408**
 Market inefficiency, 227
 Market integration, and cross-listing,
 421–422
 Market makers, **39**
 Market portfolio, **215**, **446**, 452
 Market risk premium, **448**
 Market timing tests for stock market returns,
 325n
 Market variance, **434**
 Marketing management, 311–312
 Markets, non-competitive markets, 253–254
 Marking to market, **673**, 674–675
 Markowitz, Harry, 446, 473
 Marsh, Paul, 455, 456, 473
 Marston, Felicia, 453, 473
 Marston, Richard C., 296n, 306n, 314, 462n,
 472, 611, 615
 Martin, John, 519
 Massachusetts Institute of Technology, 478n
 Maturity date in debt financing, 358–359
 McBrady, Matthew R., 391, 397
 McCauley, Robert N., 204
 McDonald's, 11
 McGuire, Patrick, 239
 Mean, **71**, 73, 74
 Mean absolute error (MAE), **323**
 Mean-standard deviation frontier, 443–445,
 444
 Mean-variance-efficient (MVE) portfolio,
 445
 Mean-variance preference, **440**
 Meckling, William, 11, 34
 Median, **99**
 Meese, Richard, 326, 331N, 353
 Melamed, Leo, 673
 Melville, Nigel, 37, 67
 Melvin, Michael, 55, 67, 88, 97
 Mende, Alexander, 55, 57n, 67
 Mendoza, Enrique G., 126, 130
 Menkhoff, Lukas, 55, 57n, 67, 150, 172,
 322, 352
 Menu costs, **254**
 Merchandise trade balance deficit, **109**
 Merchant banks, **372**
 Merck, 589, 605n
 Mercosur countries, **3**, 164, 164n
 Mergers and acquisitions (M&A), 16–18.
 See also Foreign direct investment
 (FDI)
 Merrill Lynch, 354, 363n, 397, 454
 Merton, Robert C., 325n, 352, 421, 427
 Metallgesellschaft, 7
 Mexico
 crisis in 1994, 157, 341, 343, 345
 debt crisis (1980s), 480
 investing in, 191–193
 peso crisis and country risk (case study),
 502–505
 Mian, Atif, 406, 427, 660n
 Mian, Shehzad L., 670
 MIBOR (Moscow), 184n
 MidAmerican Energy Holdings Company
 case, 516
 MiFID (Markets in Financial Instruments
 Directive), 406
 Miles, James A., 588
 Milesi-Ferretti, Gian Maria, 6n, 34, 35,
 118, 130
 Miller, Darius P., 367, 397, 420, 422, 427
 Miller, Merton, 588, 589, 591, 615
 Minimum-variance frontier, **444**
 Ministry of Finance (MOF), Japan, 362
 Minton, Bernadette A., 611, 612, 615, 729,
 751
 Mishkin, Frederic S., 141n, 172
 Mishra, Dev R., 453, 473
 Mitchell, Jason D., 269, 280
 Model evaluation, in fundamental exchange
 rate forecasting analysis, 326
 Modigliani, Franco, 588, 589, 591, 615
 Modigliani-Miller proposition, **591**–592
 Moeller, Sara B., 18, 34
 Monetary approach, to fundamental exchange
 rate forecasting analysis, 328
 Monetary base or base money, **141**
 Monetary integration in Europe. *See*
 European monetary integration
 Monetary system history, 151–153
 Monetary system, international. *See*
 International monetary system
 before 1971
 Monetary union, **167**, 168–170. *See also*
 European monetary integration
 Monetary unions, and currency boards, 139
 Money
 creation and inflation, 143–144
 definition of, 141
 future value of, **176**
 present value of, **176**
 rate of growth, 162n
 time value of, 176
 Money market hedge, **193**
 Money Market Services (MMS), 329
 Money neutrality, 143
 Monopolist exporter, **296**–299
 Monopolist importer, 299–301
 Moody's Investors Service, 386, 387, 496
 Moran, Theodore H., 512n, 520
 Morgan, Donald P., 43, 67
 Morgan Stanley, 41
 Morgan Stanley Capital International (MSCI),
 400n, 401, 401n, 430, 431, 452
 Mortal, Sandra, 391, 397
 Moskowitz, Tobias J., 465n, 473
 Mossin, Jan, 446, 473
 Moving-average crossover rules, 336
 Multilateral development banks (MDBs),
 19–20
 Multilateral Investment Guarantee Agency
 (MIGA), **512**

- Multilateral netting systems, **647–649**
 Multilateral trading facilities (MTFs), **406**
 Multinational activity, foreign direct investment (FDI) effects on, **27–28, 28n**
 Multinational corporations (MNCs), **1, 9–18**
 anti-globalist movement affecting, **26–28**
 banks as, **372–374**
 entering foreign markets, **9–11**
 and foreign direct investment, **16–18, 27–28**
 in foreign exchange market, **40**
 goals of, **11–12**
 impact of, **23–28**
 international debt financing, **354**
 management of, **11–15**
 world's top non-financial, **10**
 Mumtaz, Haroon, **255, 280**
 Mundell, Robert, **168, 172**
 Munro, Anella, **391, 397**
 Mussa, Michael, **332n, 353**
 Myers, Stewart, **605n, 615**
- N**
- Nagel, Stefan, **232, 239**
 Nakamura, Emi, **302, 314**
 Nance, Deana R., **610, 615**
 NASDAQ (National Association of Securities Dealers Automated Quotations), **404, 407**
 NASDAQ-OMX group, **404**
 NASDAQ OMX PHLX, **683, 686**
National Accounts, Organization for Economic Cooperation and Development (OECD), **130**
National Accounts Statistics, United Nations, **130**
 National government saving, **121**
 National income, **130**
 National income and product accounts (NIPA), **119–120, 130–132**
 National income formula, gross domestic product in, **121, 130–132**
 Nationalization or expropriation, **475, 476–477**
 Neely, Christopher J., **150, 150n, 151, 169n, 172, 338, 353**
 Negotiable bill of lading, **618–619**
 Net creditors, **116–117**
 Net debtors, **116–117**
 Net exporters, **284, 303**
 Net exports (NX), **131**
 Net foreign assets, **116–117**
 Net foreign income (NFI), **132**
 Net importers, **285–287, 303**
 Net international investment position or net foreign assets, **116–119**
 Net operating profit less adjusted taxes (NOPLAT), **526**
 Net present value of financial side effects (NPVF), **523**
 Net private saving, **121**
 Net settlement, **88**
 in forward foreign exchange market, **88**
 Net working capital (NWC), **524, 642–670**.
 See also Cash management
 accounts receivable management, **660–665**
 credit terms, **664–665**
 currency of denomination, **660–663**
 inventory management in, **643, 665–666**
 leading and lagging payments, **663–664**
 management of, **526n**
 Point-Counterpoint, **666–667**
 purpose of, **642–644**
 current assets, **643**
 inventories as assets, **643**
 short-term liabilities, **643–644**
 Netting arrangements, **60, 61**
 Neutral firms, **303**
 New York Stock Exchange (NYSE), **401, 404, 412, 417**
 News and fundamental exchange rate forecasting analysis, **329**
 Ng, David, **465, 473, 497, 519**
 Ng, Lillian K., **95, 97**
 Nguyen, Hoai-Luu, **188n, 204**
 Nielsen, B., **341n, 353**
 Nikko Securities, **18**
 Nishiotis, George P., **421, 422, 427**
 Nixon, Richard M., **152, 673**
No Logo (Klein), **26n, 34**
 Nominal price, **247**
 Non-competitive markets, **253–254**
 Non-linear models, in technical analysis of forecasting, **338**
 Non-sterilized interventions, **145**
 Non-tariff barriers, **2**
 Nongovernmental organizations (NGOs), **26**
 Nonsystematic variance, **434**
 Normal distribution, **99**
 North America Free Trade Agreement (NAFTA), **3, 498**
 Northern Rock Bank, **8**
 Nosbusch, Yves, **509n, 519**
 Note issuance facility (RUF), **383**
 Note purchase, **631**
 Notional principal, **726, 731**
 Novartis, **411, 424**
 Null hypothesis, **222, 245**
 NYSE Euronext Paris, **416**
- O**
- Obama, Barack, **379**
 O'Brien, Thomas J., **453, 473**
 Obstfeld, Maurice, **144n, 172, 342n, 353**
 Ofek, Eli, **612, 615**
 Offer price, **53**
 Official dollarization, **158–159**
 Official international reserves, **107–108**
 Official reserves, **142–143**
 Official reserves account, **102**
 Official settlements account, **102, 103**
 in balance of payments, **112–114**
 Offsets, **638–639**
 Offshore banking centers, **375–376**
 “Offshore Financial Centers,” **375n, 397**
 Oil companies, **475**
 Okun, Arthur, **254, 280**
 OLS estimator, **243**
 On-board bill of lading, **620**
 Oanda, **42**
 Ong, Li Lian, **269, 280**
 Ongena, Steven, **229, 239, 397**
 Open-economy macroeconomic theory, **144**
 Open-end funds, **439**
 Open insurance policies, **621**
 Open interest, **675**
 Open market operations, **141–142**
 Open price, **676**
 Operating exposure, **283**
 Operating currency hedge, **606**
 Optimal portfolio allocation, **439–445, 440**
 Optimum currency areas, **168–169**
 Option premium, **683**
 Options quotes, **687–688**
 Order bill of lading, **619**
 Order-driven trading systems, **405**
 Organization for Economic Cooperation and Development (OECD), **20, 21, 114n, 130, 169, 376**
 National Accounts, **130**
 Organization of Petroleum Exporting Countries (OPEC), **479**
 Organized futures foreign exchange market, **69n**
 Osler, Carol L., **55, 67, 336, 352**
 Osler, Kevin, **352**
 Ostmark conversion, **344**
 Out-of-the-money option, **608n**
 Outright forward contracts, **83**
 Outsourcing, **3**
 Over-the-counter forward markets, **69n**
 Overhead management fees, **534**
 Overseas Private Investment Corporation (OPIC), **491, 511**
 Overshooting, in fundamental exchange rate forecasting analysis, **328–329**
 Overvaluations, **257–258, 257n**
 Özatay, Fatih, **509n, 520**
 Özmen, Erdal, **509n, 520**
- P**
- Packer, Frank, **188, 204**
 Packing lists, **620**
 Pagano, Marco, **421, 423, 427**
 Palimisano, Samuel, **11**
 Palm, Franz C., **150, 169n, 172**
 Pan, Jun, **509n, 520**
 Panizza, Ugo, **497, 520**
 Papaioannou, Elias, **143, 172**
 Parallel loans, and swaps, **724**
 Paravisini, Daniel, **641**
 Paris Bourse, **408**
 Parity conditions, in exchange rate forecasts, **315–321**
 Parmalat, **12**
 Parsley, David C., **261, 280**
 Partite arrangement, **633**
 Pasquariello, Paolo, **149, 172**
 Pauls, B. Diane, **331n, 352**
 Payment methods, for international trade, **621–629, 633**
 Pecking order theory of financing, **605, 605n**
 Pedersen, Lasse H., **509n, 520**
 Pedersen, Niels, **338, 352**
 Pedersen, Lasse, **232, 239**
 Pegged currencies, **135**
 Pegging the exchange rate, **139, 146–147**
 Peltonen, Tuomas A., **402n, 427**
 Performance bond, **673**
 Peristiani, Stavros, **67**
 Perpetuity formulas, **522n, 527n, 552**

- Peso problems, **232–234**
Peter, Marcel, 229, 239
Pink sheet trading, **414**
Pips, **53–54**, 89
Plant location decisions, 310–311
Plaza Accord of September 1985, 150
Point-Counterpoint features, 30
Pojarliev, Momtchil, 230, 239, 340, 353
Polfliet, Ruud, 365n, 397
Political risk, **191**, **475**, 476–479. *See also*
 Country and political risk
 analysis of, 490–495
 contract repudiation, 477
 corruption and legal inefficiency, 477–478
 and discount rate adjustments, 487–489
 and dividend payments, 651
 ethnic violence and terrorism, 478
 exchange controls, 477
 home-country restrictions, 478–479
 incorporating in capital budgeting, 484–489
 managing, 509–516
 insurance, 510–514
 project finance, **514–516**
 structuring an investment, 509–510
 nationalization or expropriation, **475**,
 476–477
 Point-Counterpoint, 489
 ratings systems, 491–495
 taxes and regulation, 477
Political risk insurance, **484**
Political risk probabilities, and country credit
 spreads, 501
Political Risk Services Group (PRS Group), 491
 International Country Risk Guide (ICRG)
 monthly, 492–495
Portes, Richard, 143, 172
Portfolio diversification, 241–242
Portfolio investment, 116
Portfolio management, 218
Portfolio managers, and currency forecasts,
 315
Portfolio theory, 215n
Pramborg, Bengt, 611, 615
Prasad, Eswar S., 26, 34
Precautionary demand for money, **645**,
 649–650
Premiums and discounts, in forward foreign
 exchange market, 91–93
Present value of money, **176**
Price-driven trading systems, **405**
Price-earnings (P/E) ratio, **534**
Price index, and purchasing power parity
 (PPP), **247–248**
Price level, and purchasing power parity
 (PPP), **247**
PricewaterhouseCoopers, 415, 426
Pricing
 to a market, **253**
 of foreign currency futures contracts,
 675–678
 in foreign currency option contracts,
 714–721
Pricing policies, 311
Pricing-to-market strategies, in real exchange
 risk, **296–302**
Primary and secondary stock markets, **398**
Prins, John, 326, 353
Private bourses, **404**
Private equity firms, 22–23
Private Export Funding Corporation
 (PEFCO), **634–635**
Private placement bonds, **361**
Private saving, **121**
Probability distribution, 73, **98**, 215n
 of future exchange rates, 74–76
Probability-weighted average, 99
Procter & Gamble, 7, 531, 532, 552
Procyclical and countercyclical interest
 rates, 360n
Production management, 309–311
Production scheduling, 309–310
Project finance, **514–516**
Protectionist policies, 101
PRS Group, 520
PT Semen Gresik, 462
Public bourses, **404**
Public Company Accounting Oversight
 Board, 15
Pukthuanthong-Le, Kuntara, 336, 353
Purchasing power, **246**
Purchasing power parity (PPP), **246–280**,
 272n. *See also* Real exchange rate
 absolute, **250–251**, 266–268
 Big Mac standard in (MacPPP), **258–261**
 exchange rates and predictions of, 261–265
 external purchasing power, **249–250**
 forecasts based on, 333–334
 income comparisons using, 268–270
 internal purchasing power, **249**
 law of one price and, 251–256, **252**
 overvaluations and undervaluations,
 257–258, 257n
 Point-Counterpoint, 255–256
 price index, **247–248**
 price level, **247**
 reasons for study of, 246
 relative, **271–274**, 320
Pure discount bonds, **196**
Put-call parity, **705**
Puthenpurackal, John J., 367, 397
- ## Q
- QGARCH, 94n
Qian, Jun, 15, 34
Qian, Meijun, 15, 34
Qian, Xingwang, 190n, 204
Qualified Foreign Institutional Investor
 (QFII), 402
Quantifying currency risks, 136
Quinn, Dennis, 6n, 35
Quoting exchange rates, 44–47
- ## R
- Raiffeisen International, 372
Ramadorai, Tarun, 67
Rinaldo, Angelo, 188n, 189, 204
Ranciere, Romaine, 143, 172
Randl, Otto, 421, 427
Random variable, 100n
Random walk model, in fundamental
 exchange rate forecasting analysis,
 329, 330, 334–336
Range forward contract, **707–708**
Rappoport, Veronica, 641
Rating agencies, 386–388
Ratings systems, for political risk, 491–495
Ratio analysis, **533**
Rational expectations, **221–222**
Ravn, Morten O., 255, 280
Real appreciations, **275–277**
Real depreciations, **275–277**
Real estate investment trust (REIT), **5**
Real exchange rate, **274–277**. *See also*
 Exchange rates; Purchasing power
 parity (PPP); Real profitability
 trade-weighted, **277**
Real exchange risk, 281–314, **283–290**
 of import competitors, **287**
 management strategies, 309–312
 checklist for, 312
 marketing management, 311–312
 production management, 309–311
 and rate changes, 309
 measuring exposure, 287–288
 of net exporters, 284
 of net importers, **285–287**
 Point-Counterpoint, 289–290
 pricing-to-market strategies, **296–302**
 monopolist exporter, **296–299**
 monopolist importer, 299–301
 sharing the, 290–295
 basic data analysis, 291
 constant prices, 292–293
 designing a contract, 294–295
 indexing formula, **290–291**
 profitability, 291–292
 relative bargaining strength, 295
 when inflation and rates are changing,
 293–294
 in subsidiary evaluations, 302–309
 actual versus forecasted operating
 results, 304–305
 initial operating profitability, 303–304
 management bonuses, 307–308
 management response, 305–307
 subsidiary types, 303
 viability assessment, 308–309
 value of firm's profits, 288–289
Real interest rate parity, testing, 320–321
Real money balances, **328**
Real options (ROs), 531–534
 value in, **523**
Real profitability, **281–283**. *See also* Real
 exchange rate
 of exporters, 282
Real rates of return, 316–317
Real-time gross settlement (RTGS) system, 58
Realignment rules, in European monetary
 integration, 165
Rebelo, Sergio, 234, 239, 343, 352
Received-for-shipment bill of lading, **620**
Reese, William A., 422, 427
Regression analysis, **221**, 243–245
 chi-square distribution, 244
 confidence level tests, 245
 estimator, **243**
 null hypothesis, 245
 OLS estimator, **243**
 in technical analysis forecasting, 337–338
 tests of the unbiasedness of forward rates,
 224–227
Regulation, in political risk, 477
Regulation National Market System, 406–407

- Regulations governing international banking, 376–379
- Reinhart, Carmen M., 343, 352
- Reko Diq copper, 477
- Relative price, **282**
- Relative purchasing power parity (PPP), **271–274**
- Reliance Industries, 354
- Remolona, Eli M., 509n, 520
- Repatriation in a joint venture, 652
- Representative offices, **375**
- Required reserves, **141**
- Reserves and currency in circulation, 141
- Resistance level in chartism, **334**
- Resnick, Bruce, 397
- Return correlations, 435–437
- Return on investment (ROI), **573**
- Revaluations, **62**
- Revenues and costs, adjusted net present value (ANPV), 525
- Reversal, **705**
- Revocable D/C, **624**
- Rey, Hélène, 118, 130, 255, 280
- Rhos of an option, 720
- Ricardian equivalence, **122**
- Ricardo, David, 2, 122n, 130
- Richardson, Matt, 6, 34
- Right of offset, **725**
- Rigobon, Roberto, 458n, 473
- Rime, Dagfinn, 67, 187, 204, 205, 239
- Risk, **590, 609**. *See also* Country risk; Country risk rating; Hedging; Political risk
- in exchange rate systems, 136–140. *See also* Transaction exchange risk; Volatility
 - and return of investments, 429–433
 - trade openness and, 24
 - in triangular arbitrage, 51
- Risk-averse entrepreneurs, **590**
- Risk incentives, 582–583
- Risk management, **590, 609**
- in foreign currency option contracts, 689–706
- Risk premiums, **214–218**
- RiskMetrics, 378
- Ritter, Jay, 528, 552
- RMSE. *See* Root mean squared error
- Robinson, David T., 424, 427
- Rockoff, Hugh, 169, 172
- Rodgers, Daniel A., 603, 615
- Rodrik, Dani, 24, 35
- Röell, Ailsa, 13, 34, 423, 427
- Rogers, John H., 255, 280, 329, 352
- Rogoff, Kenneth, 19, 35, 326, 331n, 353, 482n, 519
- Roll, Richard, 452n, 473
- Romer, David, 34, 2n
- Romero, Simon, 516, 520
- Root mean squared error (RMSE), **323, 326**
- Rose, Andrew K., 343, 352
- Ross, Stephen A., 456, 467n, 472, 473, 598n, 605, 615
- Roussanov, Nikolai, 224, 239
- Rowland, Patrick F., 439, 743
- Royal Dutch Shell, 411
- Royalties, **9**
- Royalty payments, **534**
- Rubinstein, Mark, 714n, 716n, 722
- Rule 144 ADRs (RADRs), **414**
- Rule 144A, **364**
- ## S
- S&P/IFC database, 400n
- Sachs, Jeffrey D., 2n, 35
- Sahinbeyoglu, Gülbin, 509n, 520
- Sales on open account, **628–629**
- Samet, Anis, 413, 426
- Sample mean, **98, 222, 222n**
- Samuelson, Paul, 267, 280
- Sánchez, Oskar Arias, 28
- Santabábara, Daniel, 402n, 427
- Santos, João A.C., 67
- Santos Silva, João M.C., 169n, 172
- Sapin, Michel, 343, 353
- Sarbanes-Oxley Act (2002), 15
- and cross-listing, 412, 413
- Sarkissian, Sergei, 420, 427
- Sarno, Lucio, 187, 204
- Scandals, corporate, 12
- Scatigna, Michela, 509n, 520
- Scharfstein, David S., 603, 615
- Schill, Michael J., 391, 397, 420, 427
- Schleifer, Andrei, 15, 34, 190, 204
- Schlingemann, Frederik P., 18, 34
- Schmukler, Sergio L., 418, 427, 458n, 473
- Schnabl, Philipp, 641
- Scholes, Myron, 701n, 713
- Schrand, Catherine, 611, 615, 729, 751
- Schuler, Kurt, 158n
- Schumer, Chuck, 124
- Schwartz, Robert A., 407, 427
- Scofield, Heather, 498n, 520
- Seah, Shi Pei, 334, 352
- Securities Act of 1933, 361
- Securities and Exchange Commission (SEC), U.S., 362, 406, 611
- Securitization, **6**
- Segmented markets, **459**
- Seigniorage, **143**
- Selling accounts receivable, 631
- Seneca Capital, 14
- Sengmueller, Paul, 465, 473
- Sercu, Piet, 451, 473
- Services in balance of payments, 109
- SETS (Stock Exchange Electronic Trading Service), 407
- Settle price, **675**
- Shambaugh, Jay C., 144n, 156, 157, 172
- Shanghai Stock Exchange, 402
- Shareholder base, and cross-listing, 421
- Shareholders
- activism and litigation by, 14
 - corporate goals including, 11
 - financial management role of, 22–23
- Sharp, David, 302n, 314
- Sharpe ratios, 433, 437–439
- and leverage, **229**
- Sharpe, William F., 239, 446, 473
- Sheets, Nathan, 302, 314
- Shek, Jimmy, 382, 397
- Shelf registration, **364**
- Shenzhen Stock Exchange, 402
- Shleifer, Andrei, 34, 204, 519
- SIBOR (Singapore), 184n
- Siegel, Jeremy J., 239, 240, 373
- Siegel paradox, 240
- Siegel, Stephen, 172, 413, 427, 461, 472, 519
- Siemens, 553
- Sight draft, **622**
- Singal, Vijay, 460, 473
- Singhal, Rajeev, 530n, 552
- Singleton, Kenneth J., 520, 751
- Siourounis, Gregorios, 143, 172
- S.J. Rundt & Associates, ratings system, 492
- Skewness, 99n, 136
- Smith, Clifford W., 603, 610, 615, 660n, 670
- Smithson, Charles W., 610, 615
- Smithsonian Institution agreement, 152
- Société Générale, 7
- Society of Worldwide Interbank Financial Telecommunications (SWIFT), **47, 60**
- Sollis, Robert, 331n, 353
- Solnik, Bruno, 433, 434, 436, 439, 451, 473
- Soros, George, 213
- Southeast Asian crisis, 345–347
- Sovereign borrowers, **387–388**
- Sovereign credit ratings, 496–497
- Sovereign wealth funds, **22**
- SPARCH, 94n
- Special Drawing Right (SDR), 47, 47n, **135, 152–153**
- Special purpose vehicles (SPVs), 732
- Speculation, **82**. *See also* Unbiasedness hypothesis; Uncovered interest rate parity (UIRP)
- capital asset pricing model (CAPM), **216–218, 241–242**
 - currency speculation and profits and losses, 208–211
 - with forward contracts, 207–208
 - hedging versus, **82**
 - risk premiums, **214–218**
 - uncovered foreign investments, 205–206
- Speculative attacks, 161
- Spot interest rates, **196**
- deriving long-term, 198–199
- Spot market, **39**
- Spot rates, 70, 221n
- break-even, 207
- Standard & Poor's (S&P), 386, 387, 496
- Standard deviation, **71, 73, 99, 136, 215n**
- Standard error of the sample mean, 222n
- Standard Portfolio Analysis of Risk (SPAN), **673n**
- Standardized amounts (of futures contracts), 672
- Standby note issuance facility (SNIF), 383
- Stanford, Allen, 12
- Statistical discrepancy, **112**
- Statistical technical analysis versus chartism, 322
- Statistics, 98–100
- problems interpreting, 232
- Staunton, Mike, 455, 456, 473
- Stein, Jeremy C., 603, 615
- Stein, Peter, 371, 397
- Steinsson, Jón, 302, 314
- Sterilized interventions, **145–147**
- Sticky prices, **254**
- Sticky prices and overshooting, in fundamental exchange rate forecasting analysis, 328–329

- Stiglitz, Joseph E., *Globalization and Its Discontents*, 24, 35
- Stock market returns, market timing tests for, 325n
- Stock markets, 398–411. *See also* International equity financing
- Chinese, 401, 402
 - cross-border trading, 398
 - cross-holding, 400–401
 - cross-listing, 404
 - and the economy, 402–404
 - emerging, 401
 - frontier, 401
 - market capitalizations of, 390–400
 - organization and operation of, 404–408
 - automation and electronic trading, 406–407
 - examples of trading practices, 407–408
 - globalization of exchanges, 404–405
 - legal organization, 404
 - trading practices, 405–406
 - primary and secondary markets, 398
 - turnover and transaction costs, 408–411
 - World Federation of Exchanges, 398n, 400n
- Stockholder and bondholder conflicts, in capital budgeting, 582–585
- Straight bill of lading, 619
- Straight fixed-rate issues, 367
- Straight-through processing (STP), 41
- Strickland, Deon, 423, 427
- Strike price, 683
- Strobbe, Francesco, 6n, 35
- Stulz, René M., 18, 34, 413n, 422, 424, 427, 451, 453, 473, 603, 615
- Sturzenegger, Federico, 497, 520
- Subsidiary banks, 375
- Subsidiary evaluations, in real exchange risk, 302–309
- Subsidized financing, 530–531
- Sundaresan, Suresh, 732n, 751
- Suominen, Matti, 224, 239
- Supplemental Liquidity Providers (SLPs), 408
- Support level in chartism, 334
- Surplus, 108
- Surplus on the government budget, 121
- Surpluses and deficits in balance of payments (BOP), 108–115
- Swap, 83
- Swap market
 - in forward foreign exchange market, 89–91
 - size of markets, 726–727
- Swap points, 89
- Swap spread, 731
- Swaps, 723–728. *See also* Currency swaps
 - back-to-back loans, 724–725
 - credit default swaps and the financial crisis, 727–728
 - examples, 725, 728
 - interest rate swaps, 726, 728–732
 - inverted swap spreads, 730
 - parallel loans, 724
 - profits and risks for dealers, 731–732
 - size of markets, 726–727
- Swedish interest rates of 500, 234–236
- Swenarchuk, Michelle, 498
- Swiss Interbank Clearing (SIC) system, 58
- Swiss National Bank (SNB), loss on euro intervention, 150–151
- Switch trading, 638
- Syndicates, 366, 380–381
- Synthetic forward, 193
- Synthetic forward contract, 705
- Systematic risk, 215
- Systematic variance, 434
- ## T
- Tamiris, Natalia, 6n, 35
- Tanzi, Calisto, 12
- Target zone system, 159–162
- Target zones
 - and crawling pegs systems, 136
 - in exchange rate systems, 137–139
- Tariffs
 - on imports, 2, 101
 - and quotas, 252
 - and transfer prices, 656–658
- Tashjian, Elizabeth, 530n, 552
- Tata Motors, 17
- Tax-loss carry-forward, 599
- Tax planning
 - and dividend payments, 651
 - royalties and fees, 652
- Tax shields, 528–529
 - discount rate for, 529
 - on foreign currency borrowing, 577–582
- Taxes and regulation, in political risk, 477
- Taylor, Alan M., 333n, 338, 352
- Taylor, John R., 341
- Taylor, Mark P., 55, 67, 88, 97, 267, 280
- Technical analysis, 322–323, 334–341. *See also* Exchange rate forecasts
 - chartism in, 334–336
 - chartism versus statistical technical analysis, 322
 - filter rules, 336–337
 - non-linear models, 338
 - Point-Counterpoint, 338–340
 - regression analysis, 337–338
- Tecmed, 477, 498
- TED spread, 190
- Telmex, 416
- Tenreyro, Silvana, 169n, 172
- Term structure of interest rates, 196–199, 564n
- Terminal value, 572–576, 573
 - of a project, 527
- Terrones, Marco E., 26, 34
- Terrorism, 478
- Tesar, Linda L., 439, 473
- Tesobonos, 345, 503, 504
- Tests of the unbiasedness of forward rates, 224–227
- Thaler, Richard H., 219, 239
- Theta of an option, 720–721
- Thomas, Jacob, 456, 472
- Thomas, Lee R., III, 336, 353
- Thomson Reuters, 40, 49, 57
- Time draft, 622, 624
- Time value of an option, 702
- Time value of money, 176
- Time-varying market integration, 461–463
- Titman, Sheridan, 519
- Tokyo Financial Exchange (TFX), 672
- Tokyo Round, 3
- Tokyo Stock Exchange (TSE), 407
- Top 20 dealers in foreign exchange market, 43
- Top non-financial multinational corporations, 10
- Toyota, Maria, 6n, 35
- Tradability of debt, 361
- Trade acceptance, 627
- Trade account, 115–116
- Trade balance, and real exchange rates, 332
- Trade flows, 101
- Trade liberalization, 2–5. *See also* Globalization; International trade; Multinational corporations
 - and gross domestic product, 6
- Trade openness, affecting globalization, 24
- Trading, foreign currency option contracts, 685–689
- Trading costs, 408
- Trading practices, 405–408
- Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET), 58
- Transaction costs that prevent trade, 252–253
- Transaction exchange risk, 69, 70–83
 - assessing, 71–74
 - volatility models, 93–95
 - examples, 71, 80–81
 - future spot exchange rate, 70
 - hedging, 76–81
 - probability distribution of future exchange rates, 74–76
- Transactions demand for money, 644–645
- Transfer payment between countries, 105
- Transfer prices, 653, 654n
- Transfers, 102
- Transnational corporations, 9. *See also* Multinational corporations
- Transparency International (TI), 477, 478
- Treasury bill rate, 190
- Treasury Foreign Exchange Group, 609
- Treaty of Maastricht. *See* Maastricht Treaty
- Triangular arbitrage, 49–52, 223n
- Triantis, Alexander, 413, 427
- Trilemma in China, 147
- Turquoise, 416
- Two-fund separation, 444
- Tyco, 12
- ## U
- UBS, 43, 376
- Unbiased predictors, 212, 213
- Unbiasedness hypothesis, 211, 212–214, 218–221, 319
 - alternative interpretations of test results, 227–236
 - foreign exchange risk premiums, 230–232
 - market inefficiency, 227
 - peso problems, 232–234
 - problems interpreting statistics, 232
 - Swedish interest rates of 500, 234–236
 - calculating, 212–213
 - empirical evidence of, 221–227
 - and market efficiency, 213–214
 - in practice, 218–221
 - testing of, 221–227 (*See also* Regression analysis)
- Unbiasedness of forward rates, tests of, 224–227

Uncovered foreign investments, speculation in, 205–206
Uncovered interest rate parity (UIRP), **211**–212, 450n
 converting to real terms, 330
 and the exchange rate, 326–327
 international Fisher relationship, 315
 Point-Counterpoint, 219–221
 and the unbiasedness hypothesis, 218–221
Underinvestment problem, **583**–585
Undervaluations, **257**–258, 257n
Underwriting discount, **528**
Underwriting facility (RUF), 383
UniCredit, 372
Unilateral current transfers, net in balance of payments, 110
United Arab Emirates (UAE), 639
United Nations, *National Accounts Statistics*, 130
United Nations Conference on Trade and Development (UNCTAD), **3**
 international trade as a percentage of GDP, 4
 “World Investment Report,” 35
Universal banks, **372**
Universal identifier (UID), 58
Universal Product Codes (UPCs), 254–255
Unofficial dollarization, 158
Unsponsored ADRs, 415
Unsystematic risk, **215**
UPCs. *See* Universal Product Codes
Urias, Michael, 458, 472
Uruguay Round, 3, 18
U.S. Department of Commerce, 109, 110n, 111, 112, 117, 130
U.S. Federal Reserve Bank, 8, 58, 376
 Flow of Funds Accounts, 18
U.S. Internal Revenue Service (IRS), 642, 655n
Utility functions, **440**

V

Valenzuela, Patricio, 497, 519
Value at risk (VaR terminology), 378
Value dates, in forward foreign exchange market, 84
Van der Molen Specialists, 415, 426
Van Horen, Neeltje, 382, 397, 418, 427
VaR terminology (value at risk), 378
Variance, **99**
Vault cash, 141
Vega, Clara, 41, 67, 329
Vega of an option, 720
Vehicle currencies, **47**–49
 in exchange rates, **47**–48
Verdelhan, Adrien, 224, 232, 239, 509n, 519
Vertex, 424
Villaneuva, O. Miguel, 227, 239
Vishny, Robert W., 15, 34, 190, 204
Vodafone, 14–15

Volatility, **75**, 99, 136, 430–432
Volatility clustering, 93–**94**
Volatility models, and transaction exchange risk, 93–95
Volcker, Paul, 479
VTB Bank, 371
Vuitton, Louis, 296

W

Wachter, Jessica, 456, 473
Wacziarg, Romain, 2, 2n, 35
Waldman, Daniel, 329, 352
Wall Street Journal
 “After a Devaluation, Two African Countries Fare Very Differently,” 156n, 172
Walmart, 11, 69, 723
Walt Disney Company, 358–359
 “Walt Disney Company’s Sleeping Beauty Bonds—Duration Analysis,” 397
Walter, Ingo, 6, 34
Wang, Neng, 603, 615
Wang, Shing-Yi B., 329, 352
Wang, Tracy Yue, 413, 427
Wang, Xiaozheng, 463, 472
Wang, Yongzhong, 147, 172
Warner, Andrew M., 2n, 35
Warnock, Francis E., 370, 397, 464, 472
Warnock, Veronica Cadcaac, 370, 397
Warrants, **369**
Wash trades, 405n
Wei, Min, 360, 360n, 397
Wei, Shang-Jin, 27, 34, 124, 125n, 130, 261, 280
Weighted average cost of capital (WACC), 521, **554**–559. *See also* Adjusted net present value (ANVP); Flow-to-equity (FTF)
 pros and cons of using, 556–559, 561
 with taxes, 555–556
 without taxes, 554–555
Weinstein, David E., 254, 255, 280
Weisbach, Michael S., 422, 427
Weisbenner, Scott, 358, 397
Welch, Ivo, 455n, 473
Welch, Karen Horn, 35, 2, 2n
Weller, Paul, 338, 353
Wells Fargo, 18
Wessels, David, 523n, 552, 585n, 588
West, Kenneth D., 329, 352
Westerfield, Randolph W., 467n, 473, 615, 698n
Westmore Coal Company, 462
Weston, James P., 612, 615
Wharton/CIBC Survey, 611
White, Michelle J., 530n, 552
Whitley, Edward, 34
Winter-Nelson, Alex, 156n, 172
Wohar, Mark E., 331n, 353

Wolfenzon, Daniel, 641
Wooldridge, Philip, 143, 172
Working capital, **642**. *See also* Net working capital
World Bank, 19, 26, 483, 484
World Bank-IBM swap, 725
World bond markets. *See* International bonds
World CAPM, **449**
World economy, 1
World Federation of Exchanges, 398n, 400n, 403n
“World Investment Report,” United Nations Conference on Trade and Development (UNCTAD), 35
World market proxies, 452
World Trade Organization (WTO), **3**, 20, 26
Worldcom, 12
Worldwide, current exchange rate systems, 133–134
Worldwide statistics in balance of payments, 114–115
Wright, Jonathan H., 329, 352
Wu, Eliza, 509n, 520
Wu, Guojun, 405n, 406, 426, 427
Wu, Jyh-Lin, 334, 353
Wynne, Mark A., 635n, 641
Wyplosz, Charles, 343, 352
Wysocki, Peter, 586, 588

X

x%-rules, 336
Xing, Yuhang, 360, 397, 466, 472
Xu, Yexiao, 435, 472

Y

Yackee, Jason W., 498, 520
Yang, Ya-wen, 586, 588
Yesin, Pinar, 391, 397
Yeyati, Eduardo Levy, 418, 427
Yield curve, **197**
Young, Lance, 413, 427
Yu, Gwen, 586, 588

Z

Zechner, Joseph, 421, 423, 427
Zenner, Marc, 423, 427
Zero-coupon bonds, 196, 367
Zero NVP projects, 667n
Zettelmeyer, Jeromin, 497, 520
Zhang, Jing, 125, 126, 130
Zhang, Xiaobo, 124, 130
Zhang, Xiaoyan, 435, 451, 466, 472, 473
Zhao, Quanshui, 528, 552
Zhu Huanliang, 405
Zimbabwe dollar, 159
Zou, Hong, 612, 615

25 Largest Financial Transnational Corporations by Assets

(millions of dollars; numbers of employees and affiliates)

Rank	Corporation	Home Economy	Assets	Employees	Affiliates		
					Total	Foreign	Countries
1	BNP Paribas	France	2,948,928	201,740	755	596	61
2	Royal Bank Of Scotland Group	United Kingdom	2,682,319	183,700	790	273	29
3	HSBC Holdings	United Kingdom	2,364,452	309,516	741	485	54
4	Bank of America	United States	2,338,700	283,914	369	148	40
5	Deutsche Bank	Germany	2,260,684	80,849	949	804	39
6	Credit Agricole	France	2,231,858	89,172	312	191	46
7	Barclays	United Kingdom	2,226,694	153,800	495	154	42
8	Mitsubishi UFJ Financial Group	Japan	2,184,387	84,989	84	58	22
9	JPMorgan Chase	United States	2,135,796	226,623	704	265	35
10	Citigroup	United States	2,002,213	263,000	796	601	75
11	ING Groep	Netherlands	1,673,030	105,140	884	506	45
12	Mizuho Financial Group	Japan	1,672,252	57,661	50	30	11
13	Banco Santander	Spain	1,546,007	169,924	390	308	28
14	Société Générale	France	1,467,086	160,144	380	277	57
15	Unicredito Italiano	Italy	1,331,024	165,062	853	829	38
16	UBS	Switzerland	1,290,410	64,293	615	602	38
17	Commerzbank	Germany	1,145,077	61,270	312	167	23
18	Credit Suisse Group	Switzerland	1,021,541	48,300	209	179	31
19	Axa Group	France	1,015,010	103,432	542	485	38
20	Intesa Sanpaolo	Italy	895,476	103,718	98	70	22
21	The Goldman Sachs Group	United States	880,528	33,100	140	82	21
22	American International Group	United States	863,697	96,000	299	131	43
23	Dexia	Belgium	827,813	27,280	151	114	24
24	Allianz	Germany	822,418	151,800	546	444	58
25	Morgan Stanley	United States	819,719	62,211	147	118	29

Source: UNCTAD World Investment Report 2010, Annex Table 28. Top 50 Financial TNCs Ranked by Geographical Spread Index.

25 Largest Non-Financial Transnational Corporations from Developed Economies by Assets

(millions of dollars and number of employees)

Rank	Corporation	Home Economy	Industry	Assets		Sales		Employment	
				Foreign	Total	Foreign	Total	Foreign	Total
1	General Electric	United States	Electrical and electronic equipment	401,290	797,769	97,214	182,515	171,000	323,000
2	Deutsche Post	Germany	Transport and storage	30,765	365,990	55,170	79,699	283,699	451,515
3	Toyota	Japan	Motor vehicles	169,569	296,249	129,724	203,955	121,755	320,808
4	Royal Dutch/Shell	United Kingdom	Petroleum expl./ref./distr.	222,324	282,401	261,393	458,361	85,000	102,000
5	Électricité de France	France	Utilities (electricity, gas, and water)	133,698	278,759	43,914	94,044	51,385	160,913
6	CITIC	China	Diversified	43,750	238,725	5,427	22,230	18,305	90,650
7	Volkswagen	Germany	Motor vehicles	123,677	233,708	126,007	166,508	195,586	369,928
8	GDF Suez	France	Utilities (electricity, gas, and water)	119,374	232,718	68,992	99,377	95,018	196,592
9	BP	United Kingdom	Petroleum expl./ref./distr.	188,969	228,238	283,876	365,700	76,100	92,000
10	ExxonMobil	United States	Petroleum expl./ref./distr.	161,245	228,052	321,964	459,579	50,337	79,900
11	Ford	United States	Motor vehicles	102,588	222,977	85,901	146,277	124,000	213,000
12	Vodafone	United Kingdom	Telecommunications	201,570	218,955	60,197	69,250	68,747	79,097
13	E.On	Germany	Utilities (electricity, gas, and water)	141,168	218,573	53,020	126,925	57,134	93,538
14	Daimler	Germany	Motor vehicles	87,927	184,021	108,348	140,268	105,463	273,216
15	Deutsche Telekom	Germany	Telecommunications	95,019	171,385	47,960	90,221	96,034	227,747
16	Total	France	Petroleum expl./ref./distr.	141,442	164,662	177,726	234,574	59,858	96,959
17	Walmart	United States	Retail & trade	62,514	163,429	98,645	401,244	648,905	2,100,000
18	Eni	Italy	Petroleum expl./ref./distr.	95,818	162,269	95,448	158,227	39,400	78,880
19	Chevron	United States	Petroleum expl./ref./distr.	106,129	161,165	153,854	273,005	35,000	67,000
20	Conocophillips	United States	Petroleum expl./ref./distr.	77,864	142,865	74,346	240,842	15,128	33,800
21	BMW	Germany	Motor vehicles	63,201	140,690	62,119	77,830	26,125	100,041
22	Telefonica	Spain	Telecommunications	95,446	139,034	54,124	84,778	197,096	251,775
23	Siemens	Germany	Electrical and electronic equipment	104,488	135,102	84,322	116,089	295,000	427,000
24	Procter & Gamble	United States	Diversified	62,942	134,833	47,949	79,029	99,019	135,000
25	ArcelorMittal	Luxembourg	Metal and metal products	127,127	133,088	112,689	124,936	239,455	315,867

Source: UNCTAD World Investment Report 2010, Annex Table 26. World's Top 100 Non-Financial TNCs Ranked by Foreign Assets.

Largest Transnational Corporations from Each Emerging Market, Ranked by Foreign Assets, 2008

(millions of dollars and number of employees)

Corporation	Home Economy	Industry	Assets		Sales		Employment	
			Foreign	Total	Foreign	Total	Foreign	Total
Hutchison Whampoa	Hong Kong, China	Diversified	70,762	87,745	25,006	30,236	182,148	220,000
CITIC	China	Diversified	43,750	238,725	5,427	22,230	18,305	90,650
Cemex	Mexico	Non-metallic mineral products	40,258	45,084	17,982	21,830	41,586	56,791
Samsung Electronics	Korea, Republic of	Electrical and electronic equipment	28,765	83,738	88,892	110,321	77,236	161,700
Petronas	Malaysia	Petroleum expl./ref./distr.	28,447	106,416	32,477	77,094	7,847	39,236
Lukoil	Russian Federation	Petroleum and natural gas	21,515	71,461	87,637	107,680	23,000	152,500
Vale	Brazil	Mining & quarrying	19,635	79,931	30,939	37,426	4,725	62,490
Petróleos De Venezuela	Venezuela, Bolivarian Republic of	Petroleum expl./ref./distr.	19,244	131,832	52,494	126,364	5,140	61,909
Zain	Kuwait	Telecommunications	18,746	19,761	6,034	7,452	1,151	15,000
Singtel	Singapore	Telecommunications	17,326	21,887	6,745	10,374	9,058	20,000
Formosa Plastics	Taiwan Province of China	Chemicals	16,937	76,587	17,078	66,259	70,519	94,268
Tata Steel	India	Metal and metal products	16,826	23,868	26,426	32,168	45,864	80,782
Abu Dhabi National Energy Company	United Arab Emirates	Utilities (electricity, gas, and water)	13,519	23,523	3,376	4,576	1,839	2,383
MTN Group	South Africa	Telecommunications	13,266	18,281	7,868	12,403	10,870	16,452
Evraz	Russian Federation	Metal and metal products	11,196	19,448	12,805	20,380	29,480	134,000
Qatar Telecom	Qatar	Telecommunications	10,598	20,412	4,077	5,582	1,539	1,832
Ternium	Argentina	Metal and metal products	7,063	10,671	5,357	8,465	10,042	15,651
Orascom Telecom	Egypt	Telecommunications	6,718	9,757	2,947	5,305	11,376	16,522
Enka Insaat ve Sanayi	Turkey	Construction and real estate	3,540	7,767	3,256	6,956	19,286	40,886
San Miguel	Philippines	Food, beverages and tobacco	2,655	7,117	458	3,774	2,383	15,344
PTT	Thailand	Petroleum expl./ref./distr.	2,525	25,252	5,993	59,931	798	7,989

Source: UNCTAD/Erasmus University database.