Requirements and Suggestions for NBA554 International Finance Group Projects

W. B. Bailey

The project requires groups to study a specific country, explain some of the risks it represents, and make recommendations about a securities market investment (a stock or a bond, for example) and recommendations about a foreign direct “real” investment in that country. The output of the project will be a written document and a presentation during the last week of class. To support arguments about whether a particular security of that country is a good or bad buy, or whether a direct investment in a particular industry is attractive, some collection and analysis of an original data set is advisable. Following are some details.

1. Forming groups

The project is to be done in groups rather than individually. While I cannot determine the precise parameters of the groups until I know how many students are enrolled, I anticipate groups of 3 to 6 students making 10 to 20 minute presentations to the class. My preference will be for students to figure out whom they want to work with, but I may assign students to groups, or to partially completed groups, to smooth the process of group formation. I will announce in class a deadline by which time groups should be complete.

2. Assigning the target country for study

I will select countries and write them on slips of paper from which a member of each group will randomly draw. The date of presentation (there are two days of presentations in the last week of class) will also be drawn at that time. I may elect to have all different countries, or two or more groups with the same country to facilitate comparison or discussion. Groups are welcome to trade countries if they wish.

3. Grading

As indicated in the course description, this project is worth 30 points out of each student’s total of 100
points for the class. 5 points of those 30 points will be assigned based purely on attendance: each student must attend both sessions of presentations. Ordinarily, the balance, 25, of the points will be assigned based on the quality and originality of the group’s write up and presentation. However, irresponsible behavior as an individual member of a group may also affect your grade: a “peer evaluation” system (to be detailed later) allows group members to vote on the behavior of other group members. If a majority of group members give a particular individual a poor grade, this can lead to the loss of a maximum of 15 points for that individual.

4. More details of the requirements for the report and presentation, plus brief examples

a. The first part of the assignment consists of an exercise called “Three Key Uncertainties”. Suppose, for example, that the country assigned is Mexico. You must begin by learning more about the principal economic, political, internal and external security, and other substantial risks faced by the country. I would suggest you start by reading excellent overviews such as Economist Intelligence Unit reports, online handbooks of CIA, articles and special sections of The Economist, recent articles in key business publications, and similar sources. Draw up a list of three issues (perhaps by cutting down a larger list of issues submitted individually by your team members) then condense it down to three issues and, for each issue, two possible outcomes. Also discuss potential interactions between outcomes on different issues. Suppose, for example, that you are assigned Mexico as your country to study. Perhaps you would identify a forthcoming election, the strength of the U.S. economy, and the price of oil as key uncertainties, and you might also describe how the price of oil might indirectly affect the “forthcoming election” and “U.S. economy” risks. You may also discuss how the outcomes of the “three key uncertainties” relate to the future value of the Mexican currency.

b. The second part of the assignment is to offer and briefly justify the choice of a stock or bond that you might consider investing in (or selling short). For example, you may wish to discuss Telmex stock or Mexican “Brady bonds”. Data will be useful, for example, in documenting recent performance, correlation, or a relationship with a factor related to one of the risks, such as oil. Models like discounted cash flow and CAPM can help you justify the value of the security you are pitching.
c. The third part of the assignment is to offer and briefly justify a potential real investment in the country. Suppose, for example, you believe (based on your identification and analysis of Three Key Uncertainties) that there is a chance that oil price and U.S. economic weakness may lead to a cheaper peso, but that the politics of the country is fundamentally sound. A cheaper currency may imply a lower cost of production (such as automobiles) and, thus, a direct investment strategy. Data and analysis of exchange rates, automobile exports, and other related factors can help demonstrate your point. Valuation models and procedures can help justify a positive NPV for your direct investment proposal. Note also that the spreadsheet assignments during the semester will give you many more ideas on how to bring data analysis into your argument. Also note that you may want to take the point-of-view of a particular non-Mexican company that interests you. Do not be obvious or shallow: For example, “Russia makes great vodka so we should open a vodka factory” is nowhere near sufficient.

5. What’s the point of all this?

In a narrow sense, this project compels you to apply the ideas and tools you learn in the course, learn about a new country (read “new situation”, if you like), briefly summarize and analyze its principal risks and opportunities, and extend your analysis to particular implications for two different types of investors, portfolio and direct. More broadly, it is good practice in formulating and articulating ideas, creating a compact “pitch” to inform and convince others, and dealing with questions, comments, and criticism in front of a live audience.

6. Required format

A. Write-up

Each group submits a hard copy of its presentation at the start of the class session in which they are scheduled to present. The hard copy should be typed and double spaced on one side of the paper only. Pages are to be stapled together and submitted without plastic or paper covers, folders, or binders. There is no minimum length requirement as you are encouraged to describe your ideas, methods, and conclusions as concisely as possible. Indeed, a paper copy of your complete Power Point presentation,
plus short appendices with details of articles, data, and analysis, is more than acceptable. As described in the syllabus, a revised presentation is due later.

B. In-class presentation
As indicated above, the format (that is, number of students per group and number of minutes for the presentation) will be determined later based on enrollment. Each group should determine who among them presents different parts of the pitch, answers questions, and so on. You are welcome to divide up this task in whatever way you feel will be effective. Time limits will be adhered to strictly, and “Q&A” will occur only after the end of the formal presentation. To avoid wasting time setting up laptop computers for each group, presentations will use ordinary overhead transparencies only. No laptops are allowed. If, however, the particular classroom we are assigned contains a built-in computer system that works effectively, it may be possible for groups to use presentation decks stored on a memory stick.

7. A reminder
As indicated at the top of this handout, the project requires you to use data to address a question. Use of databases compiled by my former students in previous semesters is not acceptable, as is use of data you have prepared for another class. Use of the data I compiled for the spreadsheet assignments is not acceptable, as is virtual repetition of spreadsheet assignments. An entirely descriptive report or summary of published research or news articles is not acceptable. Papers that grossly violate these or other terms of the assignment will receive no credit.