COURSE OBJECTIVES
This is an innovative course that introduces students to the forecasting of exchange rates. The course will link theory with real-world data through the use of a powerful computer platform called TradeStation© and will take place in the computer laboratory. The course analyzes how the foreign exchange market works, what financial instruments are used in this market, and what are the main theoretical determinants of exchange rates. Students will generate exchange rate forecasts by combining the theoretical concepts with real-world data. The course will take a hands-on approach in which students will learn how to write simple codes to generate exchange rate forecasts and will evaluate the accuracy of their forecasts.

Grading:
The course grade will be determined by class participation (25%), homework (25%), and a final project (50%).

Attendance to class is necessary to get the points associated with class participation. Attendance requires that you sign your name in a sign-in sheet at the start of the class (5.15pm on Mondays) and sign your name in a sign-out sheet at the end of class (7.45pm). It is not permitted for another person to sign your name. Participation requires that you work on the computer terminal during class. If during a class, you use the computer for other objectives, you will not receive the participation points for that class.

You are required to hand in each homework before the deadline that will be specified in class. Each day of delay will subtract 25% of the corresponding homework’s grade.

MATERIAL and READINGS.
The theoretical material is covered in the following two textbooks:
International Economics by Paul Krugman and Maurice Obstfeld.

Class notes, covering the coding used in TradeStation and the forecasting methods, will be uploaded each week. The TradeStation platform on which you will test your forecasts and strategies is installed in the computer lab.
COMUNICATIONS
Administrative information regarding the course will be posted in the announcements section. Any issues that students would like to address should be done in person—not via electronic means—during office hours or after class. Weekly office hours will be posted in the class website.

ACADEMIC DISHONESTY
Any cases of cheating—in exams, sign-in sheets, homework, projects—will be reported to the Office of the Dean of Students. For more details please refer to the Office of the Dean of Students website at http://www.studentgroups.ucla.edu/dos/

CLASSROOM CIVILITY
It is important to respect your classmates desire to learn. Please do not come late to class, as it is disruptive no matter how quiet you are. If you carry a cell phone or any other type of audible device, turn it off before entering class. Do not engage in side conversations during the lecture, even in a whisper.

All students will be treated equally and no exceptions to the rules alluded to above will be made.

TOPICS

PART I. Foreign Exchange Market
1. The Foreign Exchange Market
2. Forward Markets
3. Central Banks and Exchange Rate Systems
4. Interest Rate Parity Conditions
5. Risk Premia in the Foreign Exchange Market
6. Purchasing Power Parity
7. Exchange Rate Forecasting
8. Foreign Currency Futures and Options
9. Foreign Currency Swaps

PART II. Forecasting and Strategy Design
1. Basic Structure of strategy coding
2. Entry and exit Order types
3. Filters
4. Creating Indicators and trading setups
5. Fundamentals-based forecasts
6. Sentiment--based forecasts
7. Testing of forecast
8. Evaluation of portfolio strategies