International capital flows and the resulting international investment positions have risen sharply over the past few decades. These flows and positions both affect and are affected by countries’ policies. With the backdrop of countries grappling with trying to understand the nature of capital flows and investors attempting to navigate various markets, this course will address topics in international portfolio allocation, international capital flows, and cross-border returns differentials.

The course will begin with two sections on international portfolio allocation that will address the topic from a global $n$ investor country by $m$ destination country perspective as well as a more narrow U.S. investor perspective. The focus will be primarily on international equity investment, but international bond investment will be discussed as well. Topics covered in the initial two sections include cross-listings, corporate governance, and insider ownership. The middle two sections of the course will be on international capital flows: extreme capital flow episodes, the determinants of capital flows, and the roles of capital controls and reserve accumulation. The final two sections will cover returns differentials, exorbitant privilege, and global imbalances.

An assignment will be due by [date] at 5pm.

**International Portfolio Allocation**

**Security-Level Studies**
Alexandra M. Tabova, Carol Bertaut, Vivian Wong (2013 draft) *The Replacement of Safe Assets in the U.S. Financial Bond Portfolio and Implications for the U.S. Financial Bond Home Bias*

**Country-Level Studies**
Holland, Sara, Sergei Sarkissian, Michael Schill, and Francis Warnock, 2013 draft. On the determinants of international equity investment.

Cross-Listing (an aside)

International Capital Flows

Investors’ Behavior


**Determinants**


Kristin Forbes, Marcel Fratzcher, Roland Straub (2013 draft) Capital Controls and Macroprudential Measures: What Are They Good For?


International Monetary Fund, 2010. Capital inflows: The role of controls. IMF Staff Position Note SPN/10/04.


Extreme Episodes


Luis A. V. Catao and Gian Maria Milesi-Ferretti, 2013. *External Liabilities and Crises*


# Returns Differentials, Exorbitant Privilege, Global Imbalances


