# 31E03000 Investment Decisions in Emerging Markets

# 6 credits

# SYLLABUS

Version (March 2021)

| Instructor’s contact information | Course information |
| --- | --- |
| Name Svetlana Ledyaeva  E-mail Svetlana.Ledyaeva@aalto.fi  Office A219  Office Hours By appointment  Intructor’s Webpage: https://people.aalto.fi/index.html?profilepage=isfor#!svetlana\_ledyaeva | Status of the course Master  Academic Year, Period 2017, III Location L01 Lecture, C-350, Päärakennus, Runeberginkatu 14-16 Language of Instruction English  Course Website  Teaching Assistants **No** |

1. OVERVIEW

Emerging economies will likely provide substantial growth opportunities for global investors. But the risks of investing in these economies are not only substantial but also different from those in developed economies. The objective of this introductory course on emerging markets is to provide students with a basic conceptual framework and practical knowledge regarding investments in emerging markets. The unit of analysis of the course ranges from countries to multinational and domestic companies in emerging markets. The course deals with macroeconomics, but also focuses on the unique political and institutional context in emerging and frontier markets. The course consists of four interrelated modules that affect growth and business opportunities in emerging markets.

* First module helps to understand the process of economic growth and development, and in so doing develop the ability to analyze an emerging market at the level of the country.
* Second module concerns institutional context of investment decisions in emerging markets.
* In third module, we will examine companies working in emerging markets and how they must manage investment risks as well as develop strategies to overcome the institutional weaknesses of the environment.
* Finally, in fourth module, we will have four round tables where students will be asked to take the perspective of different decision-makers, such as politicians, investors, and managers.

1. PREREQUISITES

Bachelor degree in related sciences

1. LEARNING OUTCOMES

Students will augment their understanding and knowledge of the emerging markets that help future managers/economists make better investment decisions in emerging markets.

1. ASSESSMENT AND GRADING
2. Essay-report and its presentation in one round-table (50%). The grade will have two parts, 35% for individual essay-report (around 5-7 pages (written in English)) and 15% for presentation based on this essay. The number of presentations during one round-table will depend on the number of students in the course. The topics for essay-report and further instructions are given separately.
3. 10% for participation in discussions in round-tables; max 2.5% for each round-table: 1.5% for the 1st question and 1% - for the second question. For more than 2 questions you do not get additional points.
4. Exam or term paper **[depending on coronavirus situation]** (40%).
5. READINGS

**Course materials:**

Articles, papers, reports, book chapters, etc. as specified by the instructor below.

1. SCHEDULE

| No | Week day | Date | Time | Topic | Instructor/Lecturer |
| --- | --- | --- | --- | --- | --- |
| 1 | Tue | 11.01.2022 | 12.15-13.45 | Introduction to emerging markets | Svetlana Ledyaeva |
| 2 | Fri | 14.01.2022 | 12.15-13.45 | Macroeconomic development in emerging markets | Svetlana Ledyaeva |
| 3 | Tue | 18.01.2022 | 12.15-13.45 | Inflation and exchange rates in emerging markets | Svetlana Ledyaeva |
| 4 | Fri | 21.01.2022 | 12.15-13.45 | Crises in emerging markets | Svetlana Ledyaeva |
| 5 | Tue | 25.01.2022 | 12.15-13.45 | Commodities and emerging markets. The resource curse | Svetlana Ledyaeva |
| 6 | Fri | 28.01.2022 | 12.15-13.45 | Institutions in emerging markets | Svetlana Ledyaeva |
| 7 | Tue | 01.02.2022 | 12.15-13.45 | FDI, multinationals and domestic companies in emerging markets | Svetlana Ledyaeva |
| 8 | Fri | 04.02.20122 | 12.15-13.45 | Industries, industrial policies and global value chains in emerging markets | Svetlana Ledyaeva |
| 9 | Tue | 08.02.2022 | 12.15-13.45 | Round-table: Investment decisions in Central and East-European emerging markets | Svetlana Ledyaeva |
| 10 | Fri | 11.02.2022 | 12.15-13.45 | Round-table: Investment decisions in Asian emerging markets | Svetlana Ledyaeva |
| 11 | Tue | 15.02.2022 | 12.15-13.45 | Round-table: Investment decisions in Latin-American emerging markets | Svetlana Ledyaeva |
| 12 | Fri | 18.02.2022 | 12.15-13.45 | Round-table: Investment decision in African emerging markets | Svetlana Ledyaeva |

***Brief description of the lectures***

**Lecture 1 Introduction to emerging markets**

*Brief description:*

In this lecture I will introduce you with emerging markets. We will talk about various classifications of emerging markets and their role in the world economy. Special attention will be given to *emerging markets equity indices.*

*Readings:*

Hu, B., Tang, X., Yin, L., & Liu, Q. (2021). Emerging Markets Redefined: Comprehensive Measurement and Future Prospects. *Global Journal of Emerging Market Economies*, *13*(2), 165-191.

**Lecture 2 Macroeconomic development in emerging markets**

*Brief description:*

In this lecture, we will talk about basic macroeconomic issues in emerging markets and how they might affect investment decisions. In particular, we will discuss trends in economic growth and income distribution in emerging markets. We will further dispute on business cycles in emerging markets and their major differences from developed economies.

*Readings:*

Cepni, O., Güney, I. E., & Swanson, N. R. (2019). Nowcasting and forecasting GDP in emerging markets using global financial and macroeconomic diffusion indexes. *International Journal of Forecasting*, *35*(2), 555-572.

**Lecture 3 Inflation and exchange rates in emerging markets**

*Brief description:*

This lecture will be devoted to discussion of inflation and exchange rate related issues in emerging markets. In particular, we will talk about impacts of inflation and exchange rates on investment decisions. we will also discuss exchange rate regimes and policies in emerging markets.

*Readings:*

Siklos, P. L. (2018). Boom-and-bust cycles in emerging markets: How important is the exchange rate?. *Journal of Macroeconomics*, *56*, 172-187.

**Lecture 4 Crises in emerging markets**

*Brief description:*

In this lecture we will discuss economic/financial crises in emerging markets in both historical and present/future perspectives. This lecture is largely based on the similar lecture of Professor J. Frankel from Harvard University.

*Readings:*

Siklos, P. L. (2018). Boom-and-bust cycles in emerging markets: How important is the exchange rate?. *Journal of Macroeconomics*, *56*, 172-187.

**Lecture 5 Commodities and emerging markets. The resource curse**

*Brief description:*

In this lecture we will talk about commodities, Dutch disease and resource curse in relation to emerging markets` development and investment strategies in them.

*Readings:*

Frankel J.A., The Natural Resource Curse: A Survey, NBER working paper, 2010; <http://www.nber.org/papers/w15836.pdf>

**Lecture 6 Institutions in emerging markets**

*Brief description:*

In this lecture we will discuss institutional development and its impacts on investment strategies in emerging markets. We will cover such issues as formal and informal institutions, liability of foreignness and business networks/groups.

*Readings:*

Rottig, D. (2016). Institutions and emerging markets: effects and implications for multinational corporations. *International Journal of Emerging Markets*.

**Lecture 7 FDI, Multinationals and domestic companies in emerging markets**

*Brief description:*

In this lecture we will discuss why and how MNCs from advanced countries invest into emerging markets. Particular attention will be given to current challenges and opportunities of developed countries` MNCs` investing in emerging markets. Special focus will be given to competition from local/domestic companies in emerging markets.

*Readings:*

Kotabe, M., & Kothari, T. (2016). Emerging market multinational companies’ evolutionary paths to building a competitive advantage from emerging markets to developed countries. *Journal of World Business*, *51*(5), 729-743.

**Lecture 8 Industries, industrial policies and global value chains in emerging markets**

*Brief description:*

This lecture will be devoted to discussion of industrial patterns of investment strategies in emerging markets. We will also talk about related issues such as industrial policies and the role of global value chains in emerging markets.

*Readings:*

Aghion, P., Cai, J., Dewatripont, M., Du, L., Harrison, A., & Legros, P. (2015). Industrial policy and competition. *American Economic Journal: Macroeconomics*, *7*(4), 1-32.

**Lecture 9 Round-table 1: Central and East-European emerging markets**

*Brief description:*

In this round-table we will discuss investment decisions in Central and East-European emerging market: Czech Republic, Hungary, Poland, Russia, Baltic States (Estonia, Latvia, Lithuania) and others.

Discussion will be based on students presentations.

**Lecture 10 Round-table 2: Asian emerging markets**

*Brief description:*

In this round-table we will discuss investment decisions in Asian emerging markets: China, India, south Korea, Singapore, Taiwan, Hong-Kong, Thailand, Vietnam and others.

Discussion will be based on students presentations.

**Lecture 11 Round-table 3: Latin-American emerging markets**

*Brief description:*

In this round-table we will discuss investment decisions in Latin-American emerging markets: Brazil, Chile, Colombia, Mexico, Peru and others.

Discussion will be based on students presentations.

**Lecture 12 Round-table 4: African emerging markets**

*Brief description:*

In this round-table we will discuss investment decisions in African emerging markets: Mali, Burkina Faso, Ghana, Nigeria, Ethiopia, Uganda, Tanzania, Kenya, Mozambique, Zambia, Namibia, Botswana, South Africa and others.

Discussion will be based on students presentations.

1. COURSE WORKLOAD

|  |  |
| --- | --- |
| Lectures | 22 |
| Home assignments (round-tables) | 60 |
| Term paper/exam | 50 |
| Preparing for lectures | 10 |
| Revision/self study | 10 |
| Total | 152 |
|  |  |

1. ETHICAL RULES

Aalto University Code of Academic Integrity and Handling Thereof>

https://into.aalto.fi/pages/viewpage.action?pageId=3772443

1. OTHER ISSUES

* Registration to course

At course website.

* Course Policies

**You can expect me:**

* To start and end class on time.
* To assign homework that adequately covers the material and meets the learning objectives of the course while adhering to the time expectations for a course.
* To give exam that accurately reflects the material covered in class and assigned in homework.

**I can expect you:**

* To come to class on time.
* To be attentive and engaged in class.
* To refrain from using cell phones and other electronic devices during class.
* To spend an adequate amount of time on the homework (preparation for round-tables) and term paper.
* To submit term papers in time.
* To seek help when appropriate.
* Retrieving Course Materials

The relevant chapters of the course book and other relevant course materials (which are not publicly available otherwise) will be uploaded on the course web-site.

The grading system is: 5: 86-102; 4: 70-85; 3: 60-69; 2: 50-59; 1: 40-49.

***Evaluation rubrics for written pieces (term papers, essay-report)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Poor | Fair | Good | Excellent |
| Reasoning (makes sense) | The student reasons inconsistently and with little understanding. | The student reasons consistently and with limited understanding. | The student reasons consistently and with general understanding. | The student reasons consistently and with thorough understanding. The student uses complex ideas. |
| Communication | The student communicates unclearly. | The student communicates with some clarity and understanding. | The student communicates clearly and precisely. | The student communicates clearly and precisely. The student uses complex forms. |
| Organization of ideas | Not clear, not well-structured. | Clear but not well-structured. | Clear and well-structured. | Clear and well-structured. The student reports ideas in complex ways. |

***Evaluation rubrics for presentations and participation in discussions***

**Oral Presentation Scoring Rubric**

This rubric is based upon the scoring rubric used by the Writing Outcomes Program at Southeast

Missouri State University.

**Excellent**

*Designates a* ***Clearly Excellent*** *speech.*

**A. Focus**: the thesis is very clearly stated; the topic is narrowed sufficiently; the specific audience has clearly been taken into account when delivering the speech

**B. Organization**: the speech has a clear introduction that catches the audience’s attention effectively and is connected to the whole; effective transitions recap each main point; the conclusion effectively summarizes the speech and is related to the whole

**C. Development**: all main points begin with a clear topic sentence; all main and supporting points are supported by specific and highly effective examples/evidence; the main and supporting points all relate to each other

**D. Style**: language is memorable; language usage is felicitous; tone is appropriate

**E. Delivery**: eye contact is effectively established with the audience; gestures and paralinguistic

cues are used to reinforce particularly important ideas; no excessive use of vocalized pauses

(e.g., “ah, um”); student is extremely articulate

**F. References**: outside sources and incorporated logically, insightfully, and elegantly; sources are documented accurately

**Good**

*Designates a* ***Still Impressive*** *speech.*

**A. Focus**: the thesis is clearly stated; the topic is limited; the specific audience has clearly been considered when delivering the speech

**B. Organization**: the introduction catches the audience’s attention and is connected to the whole; transitions signal movement to another point; the conclusion is clean and related to the whole

**C. Development**: almost all main points begin with a clear topic sentence; the main and supporting points include concrete, specific evidence/examples; almost all the main and supporting points relate to each other

**D. Style**: most language is memorable; language usage is accurate; tone is appropriate

**E. Delivery**: eye contact is established with the audience; gestures and paralinguistic cues are mostly used to reinforce particularly important ideas; some vocalized pauses are used; student is articulate

**F. References**: source material is used logically and proficiently; sources are accurately documented

**Fair**

*Designates an* ***Adequate*** *speech.*

**A. Focus**: the thesis is clear or clearly implicit; the topic is partially limited; it is implied that the specific audience has been considered when delivering the speech

**B. Organization**: the introduction and conclusion are clear and somewhat related to the whole; some transitions are used

**C. Development**: some main points begin with a clear topic sentence; some main and supporting points include specific evidence/examples; most main and supporting points relate to each other

**D. Style**: most language is somewhat memorable; language usage is correct; tone is usually appropriate

**E. Delivery**: eye contact with the audience is somewhat established; gestures and paralinguistic cues are sometimes used to reinforce particularly important ideas; several vocalized pauses are used; student is somewhat articulate

**F. References**: source material is incorporated logically and adequately; sources are documented

accurately for the most part

**Poor**

*Designates a* ***Developing*** *speech*

**A. Focus**: the thesis is unclear; the topic is only partially limited; the specific audience has been partially considered when delivering the speech

**B. Organization**: the introduction and conclusion may be ineffective and not related to the whole; the logical plan must be inferred, as no transitions are used

**C. Development**: some main points have stated or implied topic sentences; some main points are supported by specific evidence/examples; some main and supporting points relate to each other

**D. Style**: language is not very memorable; language usage is generally accurate; tone is often inappropriate

**E. Delivery**: eye contact with the audience is hardly established; gestures and paralinguistic cues are seldom used to reinforce particularly important ideas; vocalized pauses are used frequently; student is not very articulate

**F. References**: source material is incorporated but sometimes inappropriately or unclearly; sources are documented accurately only occasionally

**SCORE 0**

Designates a speech that has clearly not been developed on the assigned topic or makes no attempt to answer the given question or relate to the given topic.