**Course Description**

**Course objectives**   
All Central and Eastern European transforming economies had to build up and develop capital markets from scratch. Different countries chose different approaches, and the success of these institutions is very variable. Similarly, the integration of these markets into the global capital market brought very mixed results.  It is important to consolidate evidence on the experiences so far, confront it with the theory, and draw conclusions on the possible paths of further development. Additionally, the introduction of EMU will be an important challenge to all CEE capital markets; we plan to discuss its consequences, possible strategies of adaptation.

As the institutions of capital markets were absent in these countries for decades, the development of the local capital markets was—and in many countries still is—seriously hampered by the lack of well-trained professionals. Universities throughout the region need lecturers who can teach modern theories of the capital markets, are familiar with the most important techniques and models routinely used on developed capital markets.

The purpose of this course is two-fold: To bring together experts of capital markets of the region to discuss  relevant issues, and to teach the modern theory and practice of operating on capital markets. We hope that many participants of our course will be junior faculty member in economics or finance departments, and they will be able to use their knowledge in higher education. We intend to keep the course at a good intermediate level: Assuming that participants are familiar with basic notions, however, are not experts. We plan to give a general overview of the issues, and then concentrate on a rather advanced discussion of some specific problems.

**Curriculum**   
The course will be composed of four streams:

*- Exchange rate theory and policy in an open economy*   
The exchange rate is one of the most important prices in a small open economy. In its first part, the course deals with theoretical explanations of exchange rate developments, namely, what are the assumptions and what are the main results. In the second part different empirical issues will be dealt with: the choice of exchange rate regimes, the role of exchange rate in currency crisis, the interest rate and purchasing power parity problems. In the third part some countries and regions will be discussed and analysed with the help of the analytical tools presented in the previous parts: Mexico, Czech Republic, Israel, Hungary, South East Asia.

*- Risk management and portfolio analysis*   
The stream will cover the following topics: derivative markets; risk; value at risk (VAR); pricing formulae; portfolio analysis; risk management; regulation and capital controls: new trends emerging with reference to value at risk systems. The stream will be supplemented with case studies and a practical computer session.

*- Econometric methods of analysing financial time series*   
The stream will be organised in four parts: linear models of stationary time series (ARMA models); the statistical consequences of non-stationarity and unit root tests; trends and common trends, and models of the variance (risk): ARCH—GARCH family. It will be supplemented with a computer session, where the most important techniques will be practised on a specific stock exchange index.

*- Experiences of the CEE financial markets*   
This stream will mostly consist of case studies of individual CEE capital markets: organisation, regulation, efficiency, integration into the global capital markets. Some important markets: for example, the Russian, Czech, Hungarian and Polish ones will be analysed in detail. There will also be comparative studies. The stream will be concluded with a panel session discussing two major topics: CEE capital markets and European integration, and efficiency and regulation. 

**Application requirements**   
Applicants should have reasonable background in economics and financial mathematics. You should be familiar with Excel and Winword and should have some general computer skills. You should provide one of the following as part of your application: either (1) a paper (at least a detailed outline) you would like to present during the SUN course, or (2) a draft syllabus (course outline and reading list) for a class on `Finance in Transition Economies’ or `Open Economy and Transition’.