HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY

Department of Economics

ECON 4999Z (4 Units)

GLOBAL MACRO & INTERNATIONAL INVESTMENT STRATEGY

(Fall 2026–27)

INSTRUCTOR

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COURSE DESCRIPTION

This course builds on intermediate macroeconomic theory and extends it to open-economy and macro-finance applications, bridging undergraduate macroeconomics and advanced macro-financial analysis. It examines exchange rate determination, bond pricing, and equity valuation within intertemporal, capital mobility, and monetary–fiscal frameworks. Emphasis is placed on isolating economic mechanisms and tracing macro-to-market transmission channels, with attention to the conditions under which models are informative and their limitations in real-world application. Drawing on academic research and professional experience, the course integrates theory with macro-investment strategy. Students analyze how macroeconomic shocks and policy regimes transmit into equity, bond, and foreign exchange markets. Approved AI tools, including a course-specific NotebookLM resource, support structured learning and scenario analysis; outputs must be critically evaluated, and independent reasoning and academic integrity remain central.

CLASS SCHEDULE

Lectures: Wednesday and Friday, 1:30 PM–2:50 PM, LSK1033.
Tutorials: Friday, 10:30 AM–11:20 AM, LSK1033.

PREREQUISITES AND ASSUMED KNOWLEDGE

Pre-requisites: ECON 3014 or ECON 3113 (Microeconomics) and ECON 2123 or ECON 3123 (Macroeconomics). Knowledge of multivariable calculus is assumed.

RECOMMENDED LEARNING RESOURCES

There is no required textbook. A useful reference at the advanced undergraduate level is: Schmitt-Grohe, S., Uribe, M., and Woodford, M. (2022), *International Macroeconomics: A Modern Approach*. Princeton University Press. For revision of junior and intermediate macroeconomics and an introduction to finance concepts, the following is recommended: Mishkin, Frederic S. (2019), *The Economics of Money, Banking, and Financial Markets*, 12th Edition (Global Edition), or more recent editions. Additional references will be provided during the course, including industry macroeconomic and investment strategy reports.

PROBLEM SETS, TUTORIALS AND EXAM PREPARATION

Practice questions with worked solutions will be posted on CANVAS and reviewed in tutorials to assist exam preparation. Tutorial sessions will be held on Fridays from 10:30 AM to 11:20 AM in LSK1033, unless otherwise announced via CANVAS.

COURSE INTENDED LEARNING OUTCOMES (CILOs)

After completing this course, students should be able to:

(1) Analyze intertemporal current account dynamics and trade imbalances using open economy macroeconomic models and critically evaluate competing explanations for observed global imbalances. **(PILO 1)**

(2) Compare and apply alternative models of exchange rate determination and capital mobility, assessing their assumptions, mechanisms, and empirical plausibility. **(PILO 1)**

(3) Apply small and large open economy general equilibrium frameworks to evaluate the macroeconomic and asset market effects of productivity shocks, trade policy changes, and terms of trade disturbances. **(PILO 1)**

(4) Evaluate monetary and fiscal policy regimes in open economies, assessing credibility, capital mobility, and macro-financial transmission. **(PILO 1, 4)**

(5) Translate macroeconomic shocks and policy regimes into structured macro-financial analysis of equity, bond, and foreign exchange markets, identifying transmission channels and model limitations. **(PILO 1, 2)**

(6) Construct and communicate a coherent macro-driven investment thesis supported by disciplined economic reasoning and appropriate analytical tools. **(PILO 1, 2, 3)**

(7) Use analytical and AI tools appropriately to generate, evaluate, and refine macroeconomic scenarios while maintaining theoretical consistency and judgment. **(PILO 1, 3, 4)**

AI-SUPPORTED LEARNING AND NOTEBOOKLM

A course-specific NotebookLM resource will be provided on CANVAS and forms part of the structured learning design of this course. Students are expected to use NotebookLM to review lecture materials, synthesize macroeconomic mechanisms, generate structured summaries, and develop scenario-based analysis. AI-generated quizzes and structured analytical prompts will be provided during the semester to reinforce theoretical integration and support preparation for the Midterm and Final Examinations. AI tools support, but do not replace, disciplined theoretical understanding. Students must critically supervise and refine AI outputs in accordance with the formal macroeconomic frameworks developed in class. Students will reflect explicitly on the strengths, limitations, and potential biases of AI outputs in macroeconomic analysis.

GROUP PROJECT

The Group Project (25%) requires students to select an economy and construct a structured macro-financial dashboard and investment outlook. Each group will evaluate the macroeconomic environment using the frameworks developed in class and formulate a disciplined strategy for equity, bond, and foreign exchange markets. Deliverables consist of a professional PowerPoint presentation and an investment-bank style macro-investment report. Assessment focuses on clarity of economic mechanisms, internal consistency across models, structured macro-to-market transmission analysis, and overall analytical quality. AI tools are a required component of the project and must be used to support data exploration, scenario development, and structured synthesis. Evaluation includes the group's ability to critically supervise, refine, and discipline AI-generated outputs within formal macroeconomic frameworks. Peer evaluation (5%) assesses individual contribution.

MACRO-FINANCE SIMULATION EXERCISE

The Macro-Finance Simulation (10%) is an individual applied assessment requiring students to respond to a structured global macroeconomic shock scenario. Students must diagnose macroeconomic conditions using open-economy models and translate these into implications for equity, bond, and foreign exchange markets. The simulation is designed as a vertical stretch exercise and requires the structured use of AI tools. Students must use AI to support scenario development, model integration, and macro-to-market translation. Evaluation will focus on the quality of economic reasoning, internal consistency, and the disciplined supervision of AI-generated outputs. AI use must be clearly disclosed in accordance with course guidelines. The primary basis for assessment remains theoretical coherence and analytical rigor.

EXAMINATIONS

The Midterm Examination will be held in an evening session around the week of October 19–23. The exact date, time, and location will be announced via CANVAS. The Final Examination will be held during the University's centralized examination period and has a duration of 2.5 hours. Examinations consist of short-answer and multiple-choice questions assessing theoretical understanding and application of macroeconomic and macro-financial frameworks. AI tools are strictly prohibited in both examinations. The Midterm Examination is worth 20% and the Final Examination is worth 40% of the final course grade.

ASSESSMENT SCHEME

Task	**Description**	**Weight**
Final Examination	Examines all topics covered in the course.	40%
Midterm Examination	Examines all topics covered up to the announced examination cutoff.	20%
Group Project	Group presentation (PowerPoint) on applied macro and investment strategy for a chosen economy and asset market, together with an investment-banking style brief report.	25%
Peer Evaluation	Individual contribution to the Group Project.	5%
Macro-Finance Simulation	Individual AI-supervised macro-finance simulation.	10%

ASSESSMENT TIMETABLE

Date	**Assessment Milestone**
Sep 11	After Add-Drop: Form Groups and Choose Markets
TBD	Midterm Examination, evening session around the week of Oct 19–23
Oct 30	Group Meetings with Prof. Kitney begin
Nov 20	Macro-Finance Simulation Exercise due
Nov 25	Submission of Group Presentation Slides
Nov 27	In-Class Presentations, Lecture and Tutorial, LSK1033
Dec 3	Global Macro Investment Report due
TBD	Final Examination

ACADEMIC INTEGRITY POLICY

Honesty and integrity are central values at HKUST. Students are expected to maintain the highest standards of academic honesty in assignments, group projects, simulations, and examinations in this course. Students should familiarize themselves with the University rules and the HKUST Academic Honor Code. Information is available at: `http://www.ust.hk/vpaao/integrity/`.

COURSE SCHEDULE

This is a tentative schedule subject to adjustment based on class progress.

PART I – Open Economy Foundations

Lecture	Date	Topics	Ref
1	Sep 2	Introduction: global macro-financial linkages, course architecture, and data.	Course Notes
2	Sep 4	Intertemporal trade, savings, investment, and the current account.	Ch. 1–2
3	Sep 9	Global imbalances and intertemporal current account dynamics.	Ch. 1–2
4	Sep 11	Current account adjustment, fiscal policy, and sustainability.	Ch. 1–2

PART II – Small Open Economy Models

Lecture	Date	Topics	Ref
5	Sep 16	Small open economy intertemporal general equilibrium: endowment economy.	Ch. 3–4
6	Sep 18	Small open economy production economy and investment dynamics.	Ch. 4–5
7	Sep 23	Productivity, terms-of-trade shocks, and current account responses.	Ch. 5
8	Sep 25	Exchange rate regimes, capital mobility, and open-economy adjustment.	Course Notes

PART III – Large Open Economy, Exchange Rates & Capital Flows

Lecture	Date	Topics	Ref
9	Sep 30	Large open economy: global capital market clearing.	Ch. 7
10	Oct 2	World interest rate determination and international spillovers.	Ch. 7
11	Oct 7	Global fiscal shocks, savings-investment balance, and policy transmission.	Ch. 7

12	Oct 9	Real exchange rates, purchasing power parity, and deviations from PPP.	Ch. 9
13	Oct 14	Mundell–Fleming, monetary policy, and floating exchange rates.	Ch. 18–19
14	Oct 16	Interest rate parity, capital mobility, and FX-bond linkages.	Ch. 11
15	Oct 21	FX risk premia, expectations, and integrated macro transmission review.	Course Notes

PART IV – Macro-Finance Transmission Framework

Lecture	Date	Topics	Ref
16	Oct 23	From macro regimes to asset prices: discount rates, cash flows, risk premia, and cross-asset transmission.	Course Notes

PART V – Bond Markets & Macro Strategy

Lecture	Date	Topics	Ref
17	Oct 28	Bond valuation, discounting, yield, and duration.	Course Notes
18	Oct 30	Yield curve shifts, inflation expectations, and monetary policy.	Course Notes
19	Nov 4	Sovereign and corporate bond markets: credit risk, spreads, and macro drivers.	Course Notes

PART VI – Macro-Focused Equity Investing

Lecture	Date	Topics	Ref
20	Nov 6	Equity valuation, discount rates, and the equity duration channel.	Course Notes
21	Nov 11	Earnings, risk premia, and macro-driven allocation across markets and sectors.	Course Notes
22	Nov 13	Thematic investing: macro and structural themes in equity allocation and stock selection.	Course Notes

23	Nov 18	Macro investing with data: factor analysis, regime identification, quantitative overlays, and introduction to the Sustainable Yield case study.	Industry Reports

PART VII – Macro-Finance Case Study: Sustainable Yield Under Disinflation

Lecture	Date	Topics	Ref
24	Nov 20	Sustainable Yield case study: regime diagnosis, credit transmission, leverage screening, and RUST framework.	Case Notes
25	Nov 25	Macro-finance simulation integration, portfolio construction, and AI-supervised scenario analysis.	Case Notes
26	Nov 27	Class presentations, course synthesis, and final examination preparation.	–
–	TBD	Final Examination.	All Topics

GUIDELINES ON THE USE AND SUPERVISION OF AI TOOLS

AI tools (e.g., ChatGPT, Claude, NotebookLM and similar platforms consistent with University policy) are a required component of structured learning and assessment in this course. AI use is mandatory in the Group Project and the Macro-Finance Simulation Exercise. AI tools may not be used in the Midterm or Final Examinations, which are conducted without AI assistance to ensure independent validation of theoretical competence. All submitted work must reflect disciplined economic reasoning grounded in the macroeconomic frameworks developed in class. AI-generated material must not be presented verbatim as original work, and students must disclose how AI tools were used, including the platform and general nature of prompts. Students are expected to critically supervise and refine AI outputs in light of formal macroeconomic theory. Clarity of economic mechanisms, internal consistency, and rigorous macro-financial application remain the primary basis for evaluation. Inadequate supervision of AI-generated content may result in loss of marks and may constitute a breach of academic integrity.

CLASS ENGAGEMENT, ATTENDANCE AND INTERACTIVE LEARNING

Attendance will be recorded each week, and regular attendance is expected. Active engagement in lectures and tutorials is strongly encouraged. The course relies on structured discussion of macroeconomic mechanisms and their transmission to financial markets. Spontaneous questions, analytical challenges, and constructive debate are welcomed. To support engagement and reinforce key concepts, short interactive polls and structured questions (e.g., via Mentimeter) may be used at the end of selected topics. These activities are designed to consolidate understanding and provide immediate feedback on model application. They are formative in nature and do not contribute to the final grade. Consistent preparation and active intellectual participation will significantly enhance learning and performance in the course.

RUBRICS FOR FINAL GRADE

Excellent Performance (A range): Demonstrates deep understanding of open economy macroeconomic models and their application to bond and equity markets. Excels in translating macro shocks into structured macro-financial analysis and constructing coherent investment theses.

Good Performance (B range): Shows solid grasp of macroeconomic frameworks and applies them effectively to financial market analysis. Performs well in examinations and applied project work.

Marginal Performance (C, D range): Demonstrates basic knowledge of macro-finance tools with limited integration between theory and financial market application.

Fail: Demonstrates insufficient understanding of macroeconomic models and inability to apply them coherently to financial markets.