北京大学 汇丰商学院
Peking University HSBC Business School

Behavioral Finance
Module II, Fall 2014

Syllabus

Instructor: Chang Y. Ha, Ph.D.
Office: PHBS 648
Class Hours: Tuesday/Friday. 10:30 am – 12:20 pm
Office Hours: Tuesday/Friday 1:30 pm – 2:30 pm & by appointment
Class Location: PHBS 319
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COURSE DESCRIPTION

The main purpose of this course is to provide a broad view of the psychological foundations and their applications to finance. Behavioral finance is a relatively new but quickly expanding field of finance that seeks to provide explanations for people's economic decisions which are not exactly consistent with conventional economics and finance. It helps explain a number of seemingly irrational and inconsistent patterns found in investor decisions, financial markets, and corporate managerial behavior, complementing the traditional paradigm. Starting with a review of the standard finance theories, in particular, the efficient market hypothesis, the course examines a variety of financial market phenomena that are hard to explain by traditional theories. We will then use psychology and more realistic settings to develop alternative theories of financial markets, and shed light on the observed behavior of the investors. After initial resistance from traditionalists, behavioral finance is increasingly becoming part of mainstream finance.

LEARNING OUTCOMES

- Understand the key concepts and ideas underlying behavioral finance.
- Learn analytical/empirical models to assess the behavioral effects on the markets and the participants thereof
- Develop the ability to apply those behavioral concepts and skills to own research to account for market anomalies.

PREREQUISITES

While there is no formal prerequisite, solid grasp of financial economics at master's level is instrumental. In addition, students are expected to be familiar with basic probability/statistics and econometrics at undergraduate level.

REQUIRED TEXT

- ***Behavioral finance: psychology, decision-making, and markets***, (South-Western Cengage Learning, 2010) Lucy F. Ackert and Richard Deaves

- ***Inefficient markets: An Introduction to Behavioral Finance*** (Oxford University Press, 2000), Andrei Shleifer. ISBN-10: 0198292279; ISBN-13: 978-0198292272.

LECTURE ATTENDANCE

A significant amount of material will be covered in each class. Lectures will go beyond the scope of the textbook for some topics, and thus you are strongly encouraged to attend every class. If you are unable to attend a class, it is your responsibility to catch up on the material you've missed.

HOMEWORK

There will be homework assignments regularly assigned, which will help the students review some of the basic concepts and practice to apply them to real practice. **No late assignments or e-mail submissions will be accepted.** Homework must be submitted at the start of class on the due date. Some of the homework will be group-based.

PROJECT

Students will hand in a group project toward the end of the term. Students are expected to apply what they learn in class to real financial markets. Project group will be the same as the one for homework assignment. Each group may have up to 5 members, who are not allowed to change groups except under special circumstances.

EXAMINATIONS

There will be a mid-term exam and a comprehensive final exam. Absence from any exam will result in a grade of zero unless documented justification is provided (e.g., of an illness). Make-ups will **NOT** be given. Any student who cannot attend an exam must contact me at the earliest possible time **PRIOR TO** the exam.

ASSESSMENT

In class Midterm Exam	25%
Final Exam	35%
Project/Presentation	20%
Homework	10%
Class Attendance/Participation	10%

EMAIL POLICY

1. I only reply to PHBS email accounts that indicate the course name in the subject line.
2. I reply to emails during regular work hours in the week. I may or may not reply to emails at other times.

CLASS PARTICIPATION AND IMPROPER BEHAVIOR

There will be frequent classroom discussions and your participation/demeanor will be counted toward an overall participation score. Improper behavior such as coming late, leaving early, and snoring in class or inappropriate computer usage in class such as e-mailing, instant messaging, web surfing, and unrelated computer use will not be allowed during class time. It is distractive to both your classmates and the instructor.

STUDENT IDENTIFICATION REQUIRED FOR EXAMINATIONS

Student ID should be visible at all times during the examination. Students without photographic ID may not be allowed to sit the examinations.
It is the students' responsibility to ensure that they are aware of the university rules concerning their degree and meet the assessment criteria in this subject. Failure to read this document, to receive announcements in class, or to sit examinations does not mean that further assessment is automatically granted.

ACADEMIC MISCONDUCT

Please familiarize yourself with what constitutes plagiarism, which breaks down the academic integrity policies set by PKU. I expect that the in-class examinations will be your own individual work effort. Students caught plagiarizing will be punished as severely as the school permits.

The following are some of the actions that have resulted in students being found guilty of academic misconduct in recent years:

1. taking unauthorized materials into an examination;
2. submitting work for assessment knowing it to be the work of another person;
3. improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
4. failure to acknowledge the source of material in an assignment.

Course Schedule (tentative, and optimistic)

Week	**Topic(s)**	**Tests**
1	Review of Traditional Finance I	
2	Review of Traditional Finance II	
3	Prospect Theory, Framing , and Mental Accounting	
4	Challenge to Market Efficiency	
5	Heuristics and Biases, and Their Implications	Midterm exam.
6	Overconfidence, and Their Implications	
7	Emotion and Social Influences	
8	Anomalies and Behavioral Explanations	
9	Stock Market Puzzles and Behavioral Factors	
Final Exam	Final Exam (Cumulative)	

Week	**Days and Dates**
1	Fri (Nov 14) and Tue (Nov 18)
2	Fri (Nov 21) and Tue (Nov 25)
3	Fri (Nov 28) and Tue (Dec 2)
4	Wed (Dec 3) and Fri (Dec 5)
5	Tue (Dec 9) and Wed (Dec 10)
6	Fri (Dec 12) and Tue (Dec 16)
7	Wed (Dec 17) and Fri (Dec 19)
8	Tue (Dec 23) and Fri (Dec 26)
9	Tue (Dec 30) and Tue (Jan 13)
Final Exam	***1:00 pm – 3:00 pm, Jan. 16, 2015***

Reading Lists

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Chan, S. H., W. Leung, and K. Wang, 2004, “The impact of institutional investors on the Monday seasonal”, *The Journal of Business,* 77, 967-986.

(*)Chiang, T. C., and D. Zheng, 2010, “An empirical analysis of herd behavior in global stock markets”, *Journal of Banking and Finance*, 34, 1911-1921.

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(*)Coval, J. D., and T. J. Moskowitz, 1999, “Home bias at home: Local equity preference in domestic portfolios”, *Journal of Finance,* 54, 2045-2073.

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