Finance Empirical 2018 PhD Course Syllabus

COURSE VENUE
Macquarie University
Department in Applied Finance and Actuarial Studies
CBD Campus
Level 24, Angel Place, 123 Pitt Street
Sydney

COURSE DATES
Module 1: 28-29 July *(Saturday/Sunday)*
Module 2: 1-2 September *(Saturday/Sunday)*
Module 3: 27-28 October *(Saturday/Sunday)*

COURSE COORDINATOR
Professor Tom Smith
Macquarie University

Tom's research interests are in the areas of Asset Pricing Theory and Tests; Design of Markets - Market Microstructure; and Derivatives. His articles have appeared in leading journals including the Journal of Financial Economics, Journal of Finance, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Journal of Business, Journal of Law and Economics, Journal of Accounting Research. Tom is particularly proud of all of his PhD students and the fact that they have more than 50 tier 1 publications in the Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis and Journal of Business. Tom's students credit the PhD course work in Finance Theory and Finance Empirical as providing a great base for their research careers.

COURSE DESCRIPTION
The purpose of this course is to introduce you to the empirical methods of modern Finance. We do not have time to cover all the topics or papers in the field. However, the subset of topics and papers which we do cover are chosen because they highlight some of the key concepts involved in current empirical work in Finance. Assignments are an important part of this course. In these assignments you will be asked to test some of the models that we study. The idea being to reproduce (or otherwise) the results reported in the studies which we examine. It is felt that that this sort of learning by doing is an integral part of internalizing new ideas and concepts. There will be two assignments in the course. These assignments can be done either individually or in groups but group work is encouraged as this helps to develop a cohort which is very valuable to you as your research career goes forward. Each group will get a chance to present solutions to the problems in class. This gives the other students in the class a chance to see how a particular group approached the problems, and also provide members of the presenting group with an opportunity to develop their presentation skills. In addition to the assignments, there will be a closed notes, closed book final exam.

ASSESSMENT

•	In Class Closed Book Exam	70%
•	Assignments	30%
•	Total	100%

CONTENT

Module 1

- Review of Econometrics
  - Hansen
  - Jagannathan and Skoulakis
  - Lavine
  - Johannes and Polson
  - Class Notes

- Intertemperal Asset Pricing Models
  - Brown and Gibbons
  - Hansen and Singleton
  - Brav, Constantinides and Geczy

- CAPM
  - Gibbons, Ross and Shanken
  - Gibbons
  - Gibbons and Ferson

Module 2

- Data Issues
  - Scholes and Williams
  - Blume and Stambaugh
  - Working

- Serial Dependence
  - Fama and French
  - Lo and MacKinlay
  - Richardson and Smith
  - Class Notes

- Distribution of Returns
  - Richardson and Smith
  - Class Notes

- Excess Volatility
  - Shiller
  - Grossman and Shiller
  - Kleidon

- Inequality Constraints
  - Boudoukh Richardson and Smith
  - Class Notes

- Interest Rates
  - Constant Real Rate
    - Fama
    - Nelson and Schwert
  - Term Structure of Interest Rates
    - Fama (1984)
    - Gibbons and Ramaswamy

Module 3

- Endogeneity
  - Heider Ljungqvist (2013)
  - Class Notes
- Corporate Finance
  - Debt and Taxes
    - Graham
  - Ownership and Performance
    - Welch
  - Takeovers
    - Barraclough, Robinson, Smith and Whaley
- Data Snooping and Spurious Regression
  - Harvey
  - Foster, Smith and Whaley
  - Ferson
  - Powell, Shi, Smith and Whaley
  - Class Notes
- Market Microstructure
  - Bollen, Smith and Whaley
  - Sidhu, Smith and Whaley
  - Class Notes
- Review

FIRN GRADING POLICY

A standardised grading system has been implemented across all FIRN endorsed PhD courses and applies to ALL PhD students undertaking the course. Course presenters have complete autonomy on how they grade their courses however we are ask that if possible final assessment grades are calculated on a percentage basis which can then be converted to a standard grading system of 1-7 as follows:

7	***85-100%***	***– Pass with High Distinction/H1 Honours***
6	***75-84%***	***– Pass with Distinction/H2 Honours***
5	***65-74%***	***– Pass with Credit/H3 Honours***
4	***50-64%***	***– Pass***
3	***<50%***	***– Pass at Masters Level***
2	***-***	***– Did Not Pass – assessments not completed***
1	***-***	***– Did Not Pass – course not completed***

LIST OF TEXTS AND READINGS

There are no required texts for this course. The following books are useful references:

- Campbell, Lo and MacKinlay, 1997, *The Econometrics of Financial Markets*, Princeton University Press
- Cochrane, 2005, *Asset Pricing Revised Edition*, Princeton University Press

STATEMENT ON PLAGIARISM

Plagiarism is a broad term referring to the practice of appropriating someone else's ideas or work and presenting them as your own without acknowledgment. Plagiarism is literary or intellectual theft. It can take a number of forms, including:

- copying the work of another student, whether that student is in the same class, from an earlier year of the same course, or from another tertiary institution altogether
- copying any section, no matter how brief, from a book, journal, article or other written source, without duly acknowledging it as a quotation
- copying any map, diagram or table of figures without duly acknowledging the source
- paraphrasing or otherwise using the ideas of another author without duly acknowledging the source.

Whatever the form, plagiarism is unacceptable both academically and professionally. By plagiarising you are both stealing the work of another person and cheating by representing it as your own. Any instances of plagiarism can therefore be expected to draw severe penalties.

Cheating means to defraud or swindle. Students who seek to gain an advantage by unfair means such as copying another student's work, or in any other way misleading a lecturer about their knowledge or ability or the amount of work they have done, are guilty of cheating. Students who condone plagiarism by allowing their work to be copied will also be subject to severe disciplinary action.