

FINA 790C, Empirical Finance

Fall 2003

Instructor: Dr. Jiang Luo

Office Address: 2365

Office Phone: 2358-7663

Email Address: jluo@ust.hk

Office Hours: By appointment

The Course

This course offers an introduction to empirical research in finance as exemplified by publications in peer-reviewed journals. Topics include asset pricing, corporate finance, and anomalies.

The course is primarily intended for second-year PhD students in finance, who have taken a year of PhD level economics and econometrics. Its objective is to allow such students to start doing empirical research in finance, by giving them the necessary cultural background about the literature, and by teaching them the techniques that they will need to use. The pre-requisites are doctoral-level classes in finance theory, economics and econometrics. Students who do not have these pre-requisites can enroll in the class if they are willing to do the extra work that will bring them up to date.

The workload is very demanding. My estimation is average 20 hours a week. So it is not a good idea to enroll in 5 classes this semester but take 3-4 (including this one) instead.

The Course Requirements

- Participation;

Please show up, read the papers, and participate in class discussion.

- Problem sets;

We are going to have a problem set about every other weeks. It includes simple theoretical derivations, or small problems requiring regressions. The objective is to give you some hands on programming experience and to tinker with the models.

- Presentations;

We are going to cover about three papers each week. I am going to discuss two of them. And one of you will present the third one. Your presentation will take a maximum of forty minutes.

- Projects;

We are going to have two projects. During the first half of the semester, you are required to write a (maximum of four pages) survey paper on any topic we are going to cover, and it is due on Oct. 22. During the second half of the semester, you are required to write a (maximum of ten pages) research paper. You may replicate a result, extend one slightly, or explore a new idea. Do not bother with an extensive literature review. It should be no more ambitious than a problem set. The paper is due on Dec. 4.

The grade will be based on about 20% problem sets, 30% presentations and 50% papers.

The Course Materials

- Campbell, John, and Andrew W. Lo, and A. Craig MacKinlay, 1997, *The Econometrics of Financial Markets*, (Princeton University Press, Princeton, NJ).
- Papers assigned.
- (Optional) Cochrane, John H., 2001, *Asset Pricing*, (Princeton University Press, Princeton, NJ).