ECON 4470 Economics of Behavioral Finance
Lecture: Wed 9-11:15am FYB LT4

Instructor: Vinci Chow (vincichow@cuhk.edu.hk)
Office hours: Wed 2-4pm ELB 1012
Teaching Assistant: Teeny Xue (s1008634052@mailserv.cuhk.edu.hk)
Office hours: Mon 10:30-11:30 ELB 1001

Purpose of this Course

This course introduces you to the relatively new field of behavioral finance. Starting off with various topics in standard financial economics, we gradually explore implications of non-standard behavioral assumptions. We will cover both theoretical and empirical aspects of the field.

Learning Outcomes

Upon completing this course, students will be able to demonstrate an understanding of the key behavioral assumptions in economics and finance, argue for and against the plausibility of the theories, and recognize how behavioral theories were tested and applied empirically.

Textbook

There is no required textbook for the course—you will only be tested on materials covered in class.

Stata

Some problem sets will require you to do empirical analysis.

Tentative Grading

Assignments - 30%
Midterm - 35%
Final - 35%

Assignments
There will be 4-6 assignments throughout the course. Short assignments will be graded on a scale of check-plus-check-check-minus. There may be up to two long assignments that will be graded on a numerical scale.

Make up exam
A student who does not show up in an exam will be given a zero for that exam. Except in an emergency, I do not want to give make-up exams.

Re-grades
If you feel that an error has been made in the grading of the question on an examination you are can submit the exam in question for a regrade. Regrade requests have to be submitted no more than one week after the examination in question was returned to you. Please note that the entire exam will be reviewed for accuracy.
Tentative Class Schedule

Week 1-2
- Review of standard asset pricing models
- The Deposition Effect: Reference-Dependent Preference

Week 3-4
- Does CAPM works in practice?
- Fama-French Three-Factor Model
- Anticipatory Utility

Week 5-6
- Teaser Interest Rate: Time-inconsistency
- Projection Bias

Week 7
- Ambiguity Aversion

February 26th
- Midterm Exam

Week 9
- Savings and Retirement: Default Options
- Effects of Commitment Devices on Savings

Week 10-11
- Mental Accounting
- Overconfidence
- Efficiency of Market: Noise Traders and Momentum Traders

Week 12-13
- The Close-End Fund Puzzle
- Behavioral Models in Corporate Finance

April 16th
- Final Exam

Tutorial Dates
Jan 24, Feb 21, Mar 7, Mar 21, Apr 25.
Recommended Readings (Not Required for Examinations)

Week 1-2

Week 3-4

Week 5-6

Week 8-9

Week 10-11


Week 12-13


