

MGT 282: Topics in Finance – Behavioral Finance

Spring 2013

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OFFICE LOCATION: 4S151

OFFICE HOURS: Wednesday, 5:00 p.m. – 6:15 p.m. in 4N128 and by appointment

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COURSE DESCRIPTION

The field of finance has developed a successful paradigm based on the notions that investors and managers are generally rational and the prices of securities are generally “efficient.” In recent years, many empirical and experimental studies have challenged the rational paradigm as insufficient to describe various features of financial markets. In this course we will review that evidence and use insights from psychology to guide and develop alternative theories of financial markets. We also will examine how the principles of behavioral finance complement the traditional paradigm and shed light on investors' trading patterns, the behavior of asset prices and corporate finance.

When evaluating the research which challenges market efficiency, this course will require students to work with large amounts of financial data. Thus, this course will be data-intensive. The course also requires students to use SAS software (which is an industry standard) to analyze financial data, so there will be a substantial learning curve for students becoming familiar with the common financial datasets (CRSP and COMPUSTAT) as well as the common financial statistical software (SAS). However, for students pursuing a career in finance, these will be valuable tools.

Prerequisites: Knowledge of the basic concepts of finance developed in MGT 408

HEDGE FUND PROJECT

One of the fields where behavioral finance is most applied is the hedge fund industry. Hedge funds often don't believe in fully efficient markets (or else they wouldn't exist!).

The capstone requirement for this course will be a hedge fund project where each team will design a trading strategy and pitch that trading strategy to the class. Viable trading strategies can come from research discussed in class or from other sources. Teams will be judged based on the uniqueness of the idea, the viability of the strategy and the thoroughness of the analysis.

CLASS TIME AND OFFICE HOURS

The class time is Wednesdays from 6:30 pm to 9:30 p.m. in Room 4N128. Office hours will be held in 4N128 on Wednesdays from 5:00 p.m. to 6:15 p.m. If you cannot see me during office hours, please e-mail me for an appointment.

COURSE MATERIALS

1. Students will be required to use SAS software. Installation appointments can be made with Rady IT.
2. All other course materials will be posted on RADAR.

EVALUATION AND GRADING:

Homeworks/Projects may be done in groups of no more than five people, with one report per group.

Grade Distribution:

Class Participation	10%
Midterm	35%
Hedge Fund Project (group)	25%
Homeworks (group)	30%

*There will be 4 homeworks. I will drop your lowest homework grade.

ACADEMIC INTEGRITY

Integrity of scholarship is essential for an academic community. As members of the Rady School, we pledge ourselves to uphold the highest ethical standards. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind.

The complete UCSD Policy on Integrity of Scholarship can be viewed at: <http://www-senate.ucsd.edu/manual/appendices/app2.htm#AP14>

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the [OSD website](#) for further information or contact the Office for Students with Disabilities at (858) 534-4382 or osd@ucsd.edu.

SCHEDULE

The following class schedule is tentative. We will sometimes take a little bit more and sometimes a little bit less time for a topic than planned. I will announce any adjustments in class.

Session 1 (April 3):

Topics: Introduction and Some Early EMH Evidence.

Session 2 (April 10):

Topics: Introduction and Some Early EMH Evidence (continued). Some evidence of inefficient markets.

Assignment: **Homework #1 Posted, Due Friday April 19th**

Sessions 3 (April 17):

Topics: Some evidence of inefficient markets (continued).

Assignment: **Homework #2 Posted, Due Friday April 26th**

Session 4 (April 24):

Topics: The Demand of Average Investors.

Session 5 (May 1):

Topics: The Demand of Average Investors (continued).

Assignment: **Homework #3 Posted, Due Friday May 10th**

Session 6 (May 8):

Topics: The Demand of Arbitrageurs.

Session 7 (May 15):

Topics: The Demand of Arbitrageurs (continued).

Assignment: **Midterm Exam Posted, Due Friday May 24th**

Session 8 (May 22):

Topics: Supply by Firms.

Assignment: **Homework #4 Posted, Due Friday May 31st**

Session 9 (May 29):

Topics: Supply by Firms (continued).

Session 10 (June 5):

Topics: Hedge Fund Project Presentations.