



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC 403 ***Studies in Capital Markets***

Semester One, 2021

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Paper Description and Aims

This paper aims at providing a deep understanding of the scientific studies on financial markets. For students who plan further academic career, it will serve to understand the main paths of scientific enquiry and/or debate in existing literature and to acquire the necessary skills to conduct research on financial markets. For students who plan a professional career in financial markets, it will serve as a collection of state-of-the-art findings of scientific enquiry that can be utilised in real/professional life. While these two functions are, in some cases, separate, we will strive as much as we can to combine theory and practices.

We will have a very comprehensive coverage of research published in high-quality academic journals on a number of closely related topics: asset pricing, market anomalies, return predictability, behavioural finance, market microstructure and liquidity. All these topics are centralized around the grand theme of market (in)efficiency.

The paper builds on a good level of understanding of the financial markets related concepts, terminology, and econometrics/statistics, which are pre-requisites of this paper. (Students who do not readily have these prerequisites should consult the course coordinator to fix the gap in a realistic way.)

This paper will also serve as a bridge between coursework and research, specifically the BSNS 501 and BSNS 580 Research Project papers.

Learning Outcomes

Upon successful completion of this paper, you should be able to:

- 1) get familiar with a number of important streams of the academic literature on financial markets
- 2) critically evaluate a research papers' methodology, hypotheses, and implications of their findings
- 3) evaluate the significance and contribution of a potential research project in the perspective of existing literature
- 4) know how to access data sources, and prepare financial data for econometric analysis
- 5) get hand-on skill in replicating basic empirical work
- 6) address the investment-related (real) problems in the financial markets with the guidance of academic literature

Paper Coordinator, Lecturer

Name: Dr Olena Onishchenko

Office: 3.10

Email: olena.onishchenko@otago.ac.nz

Office Hours: Tuesday 2.00-3.00 pm; Thursday 1.00-3.00.

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Course Delivery

Lecture Day/Time: Mon 10.00 – 12.00 and Thur 9.00 – 11.00

Room: Mon – and Thur –

Tutorials and/or Labs Day/Time: TBA

Every week students must attend:

Lectures present the key conceptual material through discussion and interaction between teaching staff and students. Lectures are supported by readings.

Course Learning Resources

Our main resource will be journal articles. All journal articles can be accessed from the University of Otago Library links, online. Please download and read only published versions of assigned articles (not the working paper versions available on the web). Links to journal databases can be accessed (and will automatically appear on a Google Scholar search) when you are using a university computer.

Here is an excellent entry-level textbook for those who might need to enhance their background in Financial Econometrics: "Introductory Econometrics for Finance" by Chris Brooks, 2008 or 2014

Blackboard

<https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

Student Webmail

We will use your student email account to email you information relevant to your programme. To forward your University email address to an email address that you use regularly:

1. Log into your StudentMail account (<http://www.otago.ac.nz/smlanding/>) using your student username and password.
2. Click the **Cog** button (top right corner).
3. Click on **Mail** under **Your App Settings**.
4. Under **Accounts** on left hand side, select **Forwarding**.
5. Under the Forwarding heading, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
6. Click the **Save** button.

Assessment

All material presented is examinable (except where stated otherwise) by assignments and the final examination. All important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Assessment	Due date	% of final grade	Requirements to pass this paper
Presentation	TBD	10	
Assignment I	TBD	15	
Assignment II	TBD	15	
Test I	TBD	30	
Test II	TBD	30	

Referencing Style and Style Guide

For this paper the referencing style is **APA**. Here is a link to the style guide: <http://www.apastyle.org/> Style guides are also available on the University Library website: <http://www.otago.ac.nz/library/quicklinks/citation/index.html>

Learning Outcomes

Learning Outcome	Assessment: In-class Tests	Assessment: Presentations	Assessment: Assignments	Exam	Total
Getting familiar with the academic literature	√				40
Ability to convey research findings/insights to the public		√			10
Ability to critically evaluate a research papers' methodology, hypotheses, and implications of their findings		√		√	20
Ability to prepare and handle financial data for econometric analysis			√		10
Ability to conduct empirical analysis and problem solving			√		10
Ability to address the investment-related (real) problems in the financial markets with the guidance of academic literature		√			10
Total	√	√	√	√	100%

Course Calendar

Lecture/ Tutorial Number	Week Commencing	Topic	Reading*	Notes
1	Monday 1 March	Introduction		
2	Monday 8 March	Market Efficiency Asset Pricing: CAPM (I)		
3	Monday 15 March	Asset Pricing: CAPM (II) Return Predictability		
4	Monday 22 March	Computer Lab		
5	Monday 29 March	Return Predictability. Continued		
Mid Semester Break 5 - 9 April				
6	Monday 12 April	Return Predictability. Continued Limits to arbitrage Noise traders		
7	Monday 19 April	Stock market anomalies		
8	Monday 26 April	Computer Lab		
9	Monday 3 May	Stock market anomalies. Continued Behavioural Finance		
10	Monday 10 May	Behavioural Finance. Continued Short selling and return predictability		
11	Monday 17 May	Short selling and return predictability. Continued		
12	Monday 24 May	Short selling and retail traders Liquidity and expected returns		
13	Monday 31 May	Revision		

**See the Reading List for more details regarding the course schedule.*

**Lectures end Friday 4 June 2021
University Exam Period 7 - 25 June 2021**

Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.