FINA 868 Empirical Methods in Finance

Instructor: Shu Yan  
Class Meetings: Monday 3:30 - 6:00 (BA 551)  
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Course Description  
The objective of the course is to expose PhD students to the statistical/econometric methodologies as well as important economic issues in finance. The prerequisites are doctoral-level courses in finance theory and in econometrics, plus proficiency with computers.

Each week, we will discuss several articles about a specific topic. The reading list is long. The papers in bold are required, but you are encouraged to read as many papers as possible. Active students participation is expected. Sometimes I ask students to lead discussion on some papers. In addition, there are a series of assignments that involve pulling data from databases such as CRSP and COMPUSTAT, and conducting statistical analysis for the dataset. Each student is required to submit a term paper as the final exam. Please talk to me during the first two weeks about your plans of the paper.

Grade: class participation, 20%; homework projects 40%; paper 40%.

Books  
Textbook:  

Recommended books:  
(JC) Asset Pricing, by John Cochrane.  
(WG) Econometric Analysis, by William Greene.  
(JH) Time Series Analysis, by James Hamilton.

Course Outline  
1 - Introduction, Efficient Market Hypothesis, and Event Studies  
2 - Market Return Predictability  
3 - Cross-sectional Return Predictability
4 - Intertemporal Asset Pricing Models
5 - Liquidity, Shortselling, and Market Frictions
6 - Financial Crisis
7 - Other Topics

Reference

Efficient Market Hypothesis and Event Studies

- CLM 1–4

Market Return Predictability

- CLM 7
- Cochrane, 2008, The dog that did not bark: A defense of return predictability, RFS 21, 1533-1575.
• Fama and French, 1988, Dividend yields and expected stock returns, JFE 22, 3-27.
• Campbell and Shiller, 1988, Stock prices, earnings, and expected dividends, JF 43, 661-676.
• Stambaugh, Robert F., 1999, Predictive regressions, JFE 54, 375-421.

Cross-sectional Return Predictability

• CLM 5–6
• Fama and French, 1996, Multifactor explanations of asset pricing anomalies, JF 51, 55-84.
• Fama and French, 2006, Dissecting anomalies, JF 63, 1653-1678.
• Asness, Cliff, Toby Moskowitz, and Lasse Pedersen, 2009, Value and momentum everywhere, working paper.

Intertemporal Asset Pricing Models

• CLM 8
• Campbell, 2000, Asset pricing at the millenium, JF 55, 1515-1568.

Liquidity, Shortselling, and Market Frictions

- Can the market add and subtract?: Mispricing in tech-stock carve-outs, JPE 111, 227-268.
- Price discovery in the US treasury market: The impact of orderflow and liquidity on the yield curve, JF 59, 2623-2654.


Financial Crisis


• Gorton, Gary, and Andrew Metrick, 2009, Haircuts, NBER working paper.

• Barro, Robert, 2006, Rare disasters and asset markets in the twentieth century, Quarterly Journal of Economics 121, 823-866.

• Cochrane, 2010, Lecture notes for PhD students.

Other Topics and Guest Lectures