

**Empirical Research in Finance**  
**FINN 6333**  
**Spring 2014**

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**Course Description:** This course will cover a number of current topics in investments and related econometric methods: econometric evaluation of asset pricing models; interplay between economic theory, statistical assumptions and relevant econometric techniques; interpreting financial market facts based on traditional and neo-behavioral models. A list of topics that I plan to cover is given below is tentative at this point and may be switched.

**Readings:** There are two main recommended (but not totally required) textbooks:

-  Cochrane: “Asset Pricing”, Princeton University Press 2005 (2ed)
-  Campbell, Lo, and MacKinlay: “The Econometrics of Financial Markets”, Princeton University Press 1997

The course may rely on basic time series concepts as can be found in standard textbooks, e.g. Hamilton’s “Time Series Analysis” Princeton University Press 1994.

**Course Requirements:** There will be a few paper presentations assignments and a final project. The project could be a referee report, or some kind of a replication exercise.

**Grading:** Your grade will be based on your class participation, assignments, and the final exam. The weights are given below:

Participation and Assignments	50%
Final Project	50%

**Attendance:** Attendance is expected for every class. However, if you have to miss a class, you do not have to ask for my permission.

**Academic Integrity:** Students have the responsibility to know and strictly observe the University of Arkansas Academic Integrity regulations as described at <http://provost.uark.edu/245.php>. Violators will be sanctioned according to the Academic Integrity Sanctions guidelines as described at <http://provost.uark.edu/246.php>

## Preliminary Course Outline

### TOPIC 0: “Introduction”

1. Consumption based asset pricing
2. Some empirical facts

📖 *Book readings: Cochrane 1,2*

### Topic 1: “Return predictability, Momentum”

📖 *Book readings: CLM 2, Cochrane 20*  
📄 *Jegadeesh and Titman JF 1993, 2001*  
📄 *Chordia and Shivakumar JF 2002*  
📄 *Moskowitz and Grinblatt JF 1999*

### Topic 2: “GMM estimation”

📖 *Book readings: CLM App A1-A4, Cochrane 10-12*  
📄 *Hall, A “Some aspects of generalized method of moments estimation”, in Maddala, G.S., C.R. Rao and H.D. Vinod (eds.) Handbook of Statistics Vol 11, p.393-417 (1993)*  
📄 *Jagannathan, Skoulakis & Wang JBES (2002)*  
📄 *Hansen, L.P. and K. J. Singleton “Stochastic consumption, risk aversion and the temporal behavior of asset returns”, JPE vol 91, p.249-265 (1983)*

### Topic 3: “Linear Factor Pricing Models”

📖 *Book readings: CLM 5,8, Cochrane 5,6*  
📄 *Fama-MacBeth (1973)*  
📄 *Fama-French (1992,1996)*  
📄 *Mitchell Petersen: “Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches”, (RFS 2009)*

### Topic 4: “Return Attribution Models”

📄 *Sharpe JPM 1992*  
📄 *Fung and Hsieh 2001, 2004*

### Topic 5: “Liquidity”

📄 *O’Hara (JF 2003)*  
📄 *Pastor and Stambaugh (JPE 2003)*  
📄 *Avramov, Chordia, and Goyal (JF 2006)*  
📄 *Sadka (JFE 2006)*  
📄 *Sadka and Scherbina (JF 2007)*  
📄 *Naes, Skjeltorp, and Odegaard (JF 2011)*