



## Behavioral Finance Syllabus TMP6157

Fall 2020

### Instructor

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### Course Description

Behavioral finance is a relatively new but quickly expanding field of finance that seeks to provide explanations for people's economic decisions which are not exactly consistent with traditional economics and finance. It helps explain a number of seemingly irrational and inconsistent patterns found in investor decisions, financial markets, and corporate managerial behavior, complementing the traditional paradigm. The main purpose of this course is to provide a broad view of the behavioral foundations and their applications to finance.

### Prerequisites

Microeconomics, Fundamentals of Finance, Corporate Finance; in addition, students are expected to be familiar with basic probability/statistics and econometrics.

### Requirements and Grading

#### *Required Textbook*

Rao Yulei et al. **Behavioral Finance**, 2<sup>nd</sup> ed. China Machine Press, 2018.

#### *Reading Lists*

[1] Nicholas Barberis & Richard Thaler. 2003. Chapter 18 **A Survey of Behavioral Finance** in Handbook of the Economics of Finance.

[2] Richard Thaler & Cass Sunstein. **Nudge**. Yale University Press, 2008.

For other references, please check **Recommended Readings**(推荐阅读) of each chapter in the textbook.

#### *Assessment*

ACTIVITIES	Attendance	Problem sets	Final exam
PERCENTAGES	10%	30%	60%

#### *Attendance*

Lectures and in-class discussions are important and helpful, thus **you are strongly encouraged to attend each and every class**. If you are unable to attend a class, you must provide me with a written justification in advance. Also it is your responsibility to catch up on the unattended lecture. Absence in three or more lectures will result in a failure for the final grade.



### Problem Sets

There will be 3 problem sets throughout the semester, which will help the students review the basic concepts and practice to apply them. You're required to **handwrite** your answers on the GDUT exercise book and submit at the start of class on the due date. No late submissions will be accepted for any reason.

### Exams

There will be a comprehensive final exam, 120 minutes, and closed book/closed notes.

### Calendar

LEC #	TOPICS	KEY DATES
<b>Part I Introduction to behavioral finance</b>		
1	From standard finance to behavioral finance	
2	Challenges to efficient market hypothesis	
3	Challenges to expected utility theory	
<b>Part II Behavioral science foundations</b>		
4-5	Prospect theory	Problem set 1 due
6-7	Cognitive biases	
8-9	Psychological biases and preferences	
<b>Part III Applications</b>		
10	Individual Investor behavior	Problem set 2 due
11	Stock market anomalies and behavioral explanations	
12	Group behavior and financial bubbles	
13	Behavioral corporate finance	
14	Behavioral investing	
15	Advances and prospects in behavioral finance	Problem set 3 due
16	Final exam	

(tentative)

**Edited by:** Dr. Guo, Haizhen

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