Empirical Methods in Financial Research

Course Description
This course provides an introduction to empirical research in finance and is intended for Ph.D. students in finance. Empirical issues and methods are explored primarily in the context of published academic studies.

Textbook

Course Requirements
The course grade is based on two exams and class presentations/participations. Preparedness for class discussions of assigned readings is especially important. Each student will be assigned papers in advance and needs to present in class. However all students are required to read all assigned papers as the final exam will cover all the readings.

In each class (except the first class), we will have two students presenting a paper, one hour each. During the presentation, all students are encouraged to ask questions and participate as in a regular seminar.

The mid-term exam is take-home. The final is closed-book. Each counts 20%. The presentations and class participations count for 60%.

Miscellaneous
Lectures: Tuesday, 1:15-3:30pm, DMSB 110
E-mail: Dongmei.li@moore.sc.edu
Office hours: by appointment
Course Outline and Reading Assignments

Note: The readings below are tentative. The content and orders may change depending on the class progress.

1. Overview and resources (1/10)
   a. Campbell, Lo, and MacKinlay, chapter 1
   b. Campbell, Lo, and MacKinlay, chapter 2 (exclude 2.6)

2. Cross-Sectional Tests of Pricing Models (1/17)

3. Multifactor Models (1/24)
   a. Fama and French, “Common Risk Factors in the Returns on Stocks and Bonds.”
   b. Pástor and Stambaugh, “Liquidity Risk and Expected Stock Returns”

4. Momentum (1/31)
   b. Fama and French, “Multifactor Explanations of Asset Pricing Anomalies.”
   c. Korajczyk and Sadka, “Are Momentum Profits Robust to Trading Costs.”

5. Risk versus Mispricing (2/7)

6. Recent factor models and Anomalies I (2/14)
   b. Fama and French. “Dissecting Anomalies.”

7. No class—take-home mid-term exam (2/21)

8. Recent factor models and Anomalies II (2/28)

9. Recent factor models and Anomalies III (3/14)

10. Recent factor models and Anomalies IV (3/21)
    a. Fama and French. “Choosing factors”

11. Recent factor models and Anomalies V (3/28)–TBA
12. Innovation-related research I (4/4)–TBA
13. Innovation-related research II (4/11)–TBA
14. Final exam (4/18)