# Empirical Methods in Finance

**UT Austin (F395.4)**  
**Fall 2018**  
**Professor:** John M. Griffin  
([www.jgriffin.info](http://www.jgriffin.info))

Meets: Monday 12:30-3:30, with many additional Wednesday classes and homework reviews,

**Office Hours**  
Mon, 3:30-4:00, Tues. 11-11:30, after class, and by appointment, and/or stop by if available.

**Teaching Assistant:**  
Mr. Amin Shams  
amin.shams.m@gmail.com

<table>
<thead>
<tr>
<th>Date:</th>
<th>Readings:</th>
<th>Assignments:</th>
<th>Special Notes:</th>
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<tbody>
<tr>
<td>Week 1: Aug. 29</td>
<td>Class Introduction, <strong>Introduction</strong></td>
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<td>Required to read the papers for the below related seminars. If a conference then write a paragraph on what you learned.</td>
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<tr>
<td>Week 2: Sept. 5</td>
<td><strong>Stock Characteristics, Variance Ratios, Time Series Predictability</strong></td>
<td>Assignment #1</td>
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<td>Week 3: Sept. 10, 12</td>
<td><strong>Cross-sectional Tests of Asset Pricing Theories</strong></td>
<td>Assignment #2</td>
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<td>Week 4: Sept. 17, 19</td>
<td><strong>Time-series Tests of Asset Pricing Theories, Value Strategies,</strong></td>
<td>Assignment #3</td>
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<td>Week 5: Sept. 24</td>
<td><strong>Cross-sectional Predictability and Momentum</strong></td>
<td>Assignment #4</td>
<td><strong>Analytics Summit:</strong> Pick an hour or two session, I recommend James Scott.</td>
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<td>Week 6: Oct. 2</td>
<td><strong>Testing Methodology Critiques,</strong></td>
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<td>Week 7: Oct. 9</td>
<td><strong>International Finance and Methods, Causal Finance Methods</strong></td>
<td>Idea Assignments / Student Presentations</td>
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<td>Week 8: Oct. 15</td>
<td><strong>Causal Finance Methods Invading Investments</strong></td>
<td>Idea Assignments</td>
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<td>Week 9: Oct. 22</td>
<td><strong>International Financial Crises</strong></td>
<td>Idea Assignments</td>
<td><strong>Austin Block chain Conference, Tues 10/23, Fin Crisis conference 10/26,</strong></td>
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<td>Week 10: Oct. 29</td>
<td><strong>Real Estate</strong></td>
<td>Idea Assignments</td>
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Readings: (Subject to Change)

**Week 11:** Nov. 5
- Forensic Finance
- Idea Assignments

**Week 12:** Nov. 12
- Mutual Funds, Institutions and Hedge Funds
- Idea Assignments

**Week 13:** Nov. 27
- Behavioral Finance
- Idea Assignments

**Week 15-16:** Dec 3
- Paper Presentations

**FINAL EXAM**
- Dec 10: 7pm-10pm (tentative)

**Readings:**

**(r): required**

**(s): supplementary**

ALL READINGS ARE SUBJECT TO CHANGE AND ADDITIONAL PAPERS WILL BE ADDED

**Topic 1: Introduction**


**Topic 2: Stock Characteristics, Variance Ratios, and Predictability**


**Topic 3: Cross-sectional Pricing**


**Topic 4: Time Series Tests**


**GMM and Consumption**


**Topic 5: Value Strategies**


**Bayesian Applications in Finance**


**Topic 6: Cross-sectional Predictability and Momentum**


**Topic 7: Testing Methodologies**


Feng, Guanhao and Giglio, Stefano and Xiu, Dacheng, *Taming the Factor Zoo* (April 4, 2017).


**Topic 8: International Finance**


**Topic 9: Dealing with Causality**


(s) Nam, Tong-yob, and Seungjoon Oh. "Non-Recourse Mortgage Law and Housing Speculation." (2016).

**Topic 10: Financial Crisis**


**Topic 11: Real Estate**


**Topic 12: Forensic Finance and TBA**


(s) From J. Ritter’s webpage: Harry Markopolos's famous 2005 memo to the U.S. SEC alerting the regulators to the Madoff Ponzi scheme.

(s) John Griffin, Jordan Nickerson, and Dragon (Yongjun) Tang. Rating Shopping or Catering? An Examination of the Response to Competitive Pressure for CDO Credit Ratings. Review of Financial Studies.


Topic 13: Mutual Funds


(s) Cremers, Martijn, AQR in Wonderland: Down the Rabbit Hole of 'Deactivating Active Share' (and Back Out Again?) (June 30, 2015).


**Topic 14: Institutions and Hedge Funds**


**Topic 14a: Institutions and Hedging: Informed Trading**


**Topic 15: Behavioral Finance**


**Topic 16: Market Microstructure, Liquidity, and Shorting**


**Course Policy**

*Fairness to Students*: I strive to treat students with dignity and fairness. This does not mean that I will agree with your ideas. If you feel that I have been unfair in any way, please let me know. It takes courage to do so.
**Readings:** Readings should be done in advance of the class in which material will be discussed. The outline below will advise of the relevant topic of discussion. Additional handouts may be made available in class. However, if a student misses a class/handout, (whether excused or unexcused) it is their responsibility to obtain the reading from another student, not the instructor or TA.

**Grading:** There are no verbal appeals of grade changes. Exams will not be returned and can be reviewed only during the week following the reception of the grade. You should submit a written statement explaining the problem within one week of receiving your grade and we will be happy to re-grade any exam or assignment. The entire exam or case will be re-graded and the score may increase, remain the same, or decrease.

**Academic Dishonesty**

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program’s Statement on Scholastic Dishonesty at [http://www.mccombs.utexas.edu/BBA/Code-of-Ethics.aspx](http://www.mccombs.utexas.edu/BBA/Code-of-Ethics.aspx). By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at [http://deanofstudents.utexas.edu/sjs](http://deanofstudents.utexas.edu/sjs) to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Academic dishonesty includes but is not limited to: lying, cheating, stealing (e.g., answers), multiple submissions, plagiarism (including, improper attribution of sources), unauthorized cooperation, and misrepresentation of facts. It is your responsibility to understand all attributes of proper conduct. In particular, students should understand exactly how to engage in proper citations. Changing sentence structure around is still paraphrasing. If ideas are borrowed from someone and phrased in your own wording, citation is always required. Lack of knowledge is no excuse. Please carefully read: [http://deanofstudents.utexas.edu/sjs/scholdis_plagiarism.php](http://deanofstudents.utexas.edu/sjs/scholdis_plagiarism.php) and [http://writing.yalecollege.yale.edu/advice-students/using-sources/understanding-and-avoiding-plagiarism/what-plagiarism](http://writing.yalecollege.yale.edu/advice-students/using-sources/understanding-and-avoiding-plagiarism/what-plagiarism).

Any individual assignment should be completed individually without help from others. Group preparation for examinations is acceptable and encouraged.

**McCombs Classroom Professionalism Policy**

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the program’s experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

Email and Internet are not allowed during lectures. Mobile phones and other electronic devices have to be switched off during class at all times.

The Texas classroom experience is enhanced when:
• **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.

• **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.

• **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited. Should you have to leave class early, please have the courtesy of letting the instructor know before the beginning of the period and leave quietly so as not to disturb the other members of the class.

• **Students are fully prepared for each class.** Much of the learning takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.

• **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.

• **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, text messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged.

• **Phones and wireless devices are either off or completely on silent mode.** Any student text-messaging or emailing during class will be asked to leave the class. We've all heard the annoying ringing in the middle of a meeting. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

**Students with Disabilities**

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssa/.

**Religious Holy Days**

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

**Campus Safety**

Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety:

• Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.

• Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.

• Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
• In the event of an evacuation, follow the instruction of faculty or class instructors.
• Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
• Behavior Concerns Advice Line (BCAL): 512-232-5050

Further information regarding emergency evacuation routes and emergency procedures can be found at: http://www.utexas.edu/emergency.