Course Syllabus
For
FINAN 7830-001: Empirical Asset Pricing Principles
Spring 2016

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COURSE DESCRIPTION

The primary purpose of this course is to help you develop research interests in the area of finance, particularly in the area of empirical asset pricing. Another purpose of this course is for you to start developing your own research agenda. We will hopefully accomplish these goals by giving you a strong background in investments research, primarily through our discussion of research papers, background text readings, and weekly paper idea presentations and discussions. I will treat you as junior colleagues, not as students. As such, I expect you to take responsibility for learning the material and developing a passion for research. My hope is that through this course, you will start to find areas in the finance literature that strongly interest you.

The general format of the course will be as follows. You will be assigned approximately 3 papers (sometimes more) to read for each week of class. The class will meet once a week for 3 hours. The papers will be supplemented by readings in the text. During a given class, each paper will be presented by a student. We will assign the papers on the first day of class. If we have more than three students in the class, then you will not always be assigned a paper to present each week.

Further, every week, a subgroup of the students not doing an assigned paper presentation will be required to write a paper introduction (2-3 pages long) which develops ideas for a new paper related to the papers from that week. This is the main point of the course: to give you LOTS of practice in idea generation, which, when we get right down to it, is what makes a successful research professor. If you can’t come up with good paper ideas, it is likely a signal that you have picked the wrong profession. After students present the 3 research papers for the day, we will have presentations of the paper introductions. After the introductions, we will discuss your ideas and hopefully point out ways in which you could improve your paper. My hope is that these paper introductions will turn into actual quality research papers. We will assign the paper introductions on the first day of class.

The presentation format for the assigned weekly papers can be a power point presentation or overhead slides. Please make copies of your paper presentations and introductions to pass out to your fellow students and me. You will have about 20 minutes to present each paper and about 10-15 minutes to present your introductions.

Your paper introduction should be related to a follow up research question from the papers of that week. However, and this is important, I want it to be a relevant and current research question. Since some of the papers we cover will be “golden oldies,” that means you will be responsible for learning the recent related literature and coming up with an idea that is relevant today. There are a few ways to quickly get up to speed on a given finance topic, including Google Scholar and www.ssrn.com.

Any student in the class who publishes a class-related paper in a top tier journal over the period of your time at the University of Utah will receive a special double top secret award. Clearly, this is
something to strive for! You are strongly encouraged to read the top journals (JF, JFE, RFS, JFQA, and others), find a topic that moves you, and then develop your own ideas.

Question: what does it take to get a good academic job? Do grades count?

**COURSE MATERIALS**
The required materials for this course are:


Hint: Amazon has some great prices on used versions of these books.

Research papers are downloadable from the class web page.
Class web site is: [http://home.business.utah.edu/finmc/](http://home.business.utah.edu/finmc/) click on the link in the upper left hand for Finance 7830.

User ID and password are both: research

**Grading Policy**

Course grades will be based on the following:

- Assigned paper presentations  33%
- Paper introduction presentations  33%
- Final exam  34%

The take home final exam will be given out on the last day of class (April 7) and will be due on Thursday April 28. (Please email the exam to me at mike.cooper@utah.edu).

Background reading from January 1 to January 20: The capital asset pricing model (CAPM); theory and empirical testing. We will not explicitly discuss these papers in class.

*The Econometrics of Financial Markets (EFM) chapter 5*


EFM chapter 6


Class 1: January 21. How to be a successful research professor

What does it take to get a good job?
Resume examples.
   Rookies: examples of good and bad vitas.
   Fifth and sixth year assistant professors: examples of good and bad vitas.
Career strategies.
   Rookies
   Assistant professor years (first year, 3rd and 4th year reviews, pre-tenure year.)
Tenure.
   What does it take to get tenure: teaching, research, outside letters.
   What happens if you do not get tenure?

Related readings:


Your assignment for today’s class: Glance through the above 3 papers and come to class with a few academic finance resumes. Bring an example of a last year doctoral student, first year assistant professor, and a fifth or sixth year assistant professor. For each category, bring an example of someone who is successful and someone who is not likely to succeed.

Read the entire book, Modern Portfolio Theory and Investment Analysis (henceforth deemed MPT). Although reading the entire book might seem a bit extreme (you certainly can skim some sections), it will bring us all up to an advanced MBA level.

Assign paper presentations and paper introductions for the semester’s papers

Class 2: January 28. How to write a good paper

What is a “good” paper?
   For better or worse, it is defined by journal placement
Paper style for placement in the top journals
   Layout of the paper
      Intro, theory or literature review, data and methodology, results, conclusion,
      References, tables, figures, total length of the paper
What makes a good empirical asset pricing paper?
   The “hook,” proper motivation, resolving a great mystery, clearly communicating your results
   Details of the introduction (discuss below papers)
      Some examples.
How to write a good paper
   Find an unresolved specific issue that people care about. Best paper is one where the results are interesting no matter how they turn out.
Resources
   www.ssrn.com
   Journal web sites
   Jstor
   Google Scholar
      Links to all papers which reference a given paper
Searching across multiple pdf files.
How to get publicity for your new paper
Posting papers on ssrn
Conferences
Sending the paper to people that might be the referee or might provide helpful feedback
The journal submission process
Referee reports
  Dealing with a rejection
  The appeals process
  Dealing with a revise and resubmit

Related readings:
Cochrane, J., 2005, Writing Tips for Ph. D. Students, working paper, University of Chicago.
Paper examples: paper 1, paper 2, paper 3
Referee report example 1, referee report example 2, response to referee report 2.
JFE tips for writers, TAR comments.

Your assignment for today’s class: Read Cochrane’s paper. Read the example papers from a flow/paper layout standpoint. Read the example referee reports. Bring a copy of the worst written finance paper you can find. Bring a copy of the best written finance paper you can find. Read Spiegal's paper on reviewing, JFE tips for writers, and TAR comments.


EFM chapter 2


Class 4: February 11. Predictability - Lagged Returns; Short-horizon.

EFM chapter 2&3


EFM chapter 2&3


**Class 6: February 25. The cross-section of stock returns: risk or mispricing I**


**Class 7: March 3. The cross-section of stock returns: risk or mispricing II**


**Class 8: March 10. Anomalies.**


**No class on March 17 (Spring break)**

**Class 9: March 24. Political connections and stock returns**


**Class 10: March 31. News and returns**


**Class 11: April 7. 19 Data-Snooping.**

The take home final exam will be given out in of class today and will be due on Thursday April 28 (please email the exam to me at mike.cooper@utah.edu).


Harvey, C., Y. Liu, and H. Zhu, 2013, ...and the cross-section of expected returns, working paper, Duke University.