Advanced Seminar in Finance - BPHD 8650 Spring 2012

Capital Markets

Professor: Lloyd Blenman

Office: Friday 350 B. Telephone: 704-687-7705

Class Location: Friday 33. Class: M 9.30 a.m - 12.15 p.m

Office hours: M 2-5 p.m and by appointment.

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Class Time

The class meets once a week. Our first meeting will be a one-hour organizational session during which we will, inter alia, finalize the allocation of papers. When we meet regularly, we will have a break of 10 minutes from 10.45 a.m-10.55 a.m and conclude at 12.15 p.m. Since we have no final exam, according to university rules we will have to meet during the time set aside for final exams for the course. We will utilize that occasion for a regular session and a retrospective view.

Course Content

This course is a rigorous treatment of selected elements of both domestic and international capital markets. I have chosen a broad range of topics to give you a sense of what is current frontier research in private, public, domestic and international markets. Each class will provide an in depth treatment of the specific papers that are of greatest significance in the sub-area. While you may not have a direct interest in all the topics, I hope that there are at least two topics for which you have an affinity. There are a number of supplemental papers listed in each section. I hope that if you wish to do research in the area, that these are some of the papers that you may want to address in the future.

Prerequisites:
The course is directed at second, third and fourth year students interested in finance/financial economics. Prior course work in finance and statistics at the first-year PhD level is assumed. Exceptions will be granted based in exceptional circumstances.


**Course Objectives and Deliverables**

Since the class is a seminar one you will be expected to present papers. I expect that each student will present two papers during the semester. Each week, two required papers will be presented in detail. Each student presented paper will be presented by a single student over a period of 55 minutes. After the presentation, 20 minutes will be set aside for a group discussion of the paper. Every week, students are expected to read all the required papers, that will be presented, and participate in the group discussion.

The seminar will help you develop the following skills that will be critical in being able to develop a successful thesis proposal and to achieve a fruitful academic career: (a) the ability to isolate and summarize the key ideas in any paper (b) the ability to critically evaluate the strengths and weaknesses of any paper and be able to integrate these ideas into the stream of the existing literature (c) the ability to extend the good ideas in a paper so as to achieve breakthrough results and (d) the ability to present your ideas in a concise and interesting way. You should use PowerPoint, Beamer or some other specialized package for your presentations.

**Assignments:**
Each assignment will ask you to (a) summarize and critically evaluate a specific paper and (b) develop its logical extension, treating the matter as a possible thesis proposal. For the summary and evaluation part of the assignment, each paper summary should be no more than 6 pages, written in 11 point font. The entire report on each paper should not exceed 10 pages. All assignments are due at the start of the class.

**Grading**

Grades are based solely on assignments, class participation and in class presentations. There is no final exam. There are 4 assignments, roughly one every other week, commencing after the third week. You will be given one week to complete each assignment. Class presentations will count for 40% of the final grade. Assignments will count for 40% of the final grade, with the proviso that you can exercise the option of dropping your lowest score (no questions asked). Class participation will count for 20% of the final grade.

**Auditing**

Auditing students are required to obtain permission from me prior to attending this class. Students auditing the course will present a similar number of papers as for credit students. No students are allowed to audit without the intention of fulfilling this requirement. Auditing students are exempt from having to hand in any assignments.
Class Schedule


Topic 2. Currency Markets: Carry trade and speculation (Jan. 30- Feb. 6)


**Topic 3. Risk Premia and Returns (Feb. 13)**


**Topic 4. Liquidity and Equity Premium (Feb. 20)**


**Topic 5. International Asset Pricing and Diversification Benefits (Feb. 27)**


**Topic 6. Optimal Portfolio Choice (Mar. 12)**


**Topic 8. Limits to Arbitrage (Mar. 26-Apr. 2)**


**Topic 9. Home Bias and Segmented Capital Markets (Apr. 9)**


Chan, K., V. Covrig and L. Ng, (2005),” What determines the domestic bias and foreign bias? Evidence from mutual fund equity allocations worldwide”, *Journal of Finance* 60, 1495-1534. (P)


Lewis, K., 1999, "Trying to Explain Home Bias in Equities and Consumption," Journal of Economic Literature, XXXVII, 571-608. (H)


**Topic 10. Momentum and Trend Following Strategies (Apr. 16-23)**


**Topic 11. Leveraged Buyouts (Apr.30)**


**Topic 12. Venture Capital and Private Equity (May. 7 & 14)**


**Textbooks**

There are no required textbooks for this course, however the ones mentioned below are highly recommended for inclusion in your reference library.

Guide to Papers
- Papers that are marked (P) may be presented by students. Papers not covered (and not marked) can be part of your supplemental readings.
- Papers that are marked (PP) will be covered by me.
- Papers that are marked (H) are ones of historical significance.
- Papers that are unmarked are supplemental papers.

Academic Integrity
Students are advised to apprise themselves of, and adhere to the rules specified in the UNC-Charlotte code of student integrity regulations, which will be enforced.

Diversity Statement
The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.