Advanced Seminar in Finance - BPHD 8650 Spring 2018

Capital Markets

Professor Lloyd P. Blenman
Office: Friday 350 B. Telephone: 704-687-7705
Class Location: Friday 385. Class: TR 11.00 a.m-12.15 p.m.
Office hours: T 9.30 a.m – 10.30 a.m & 3.30 p.m – 4.30 p.m and by appointment.
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Course Content
This course treats selected elements of both international and domestic capital markets. We will focus on the major parity relations in international finance and their interconnections with the CAPM, carry trade, forward discount puzzle and forward rate unbiasedness. We will also address the home equity bias, foreign direct investments, venture capital and other puzzles in finance.

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 on exceptional circumstances. I expect that every student will be prepared to participate actively in each session, regardless of the topic being discussed.

Course Objectives and Deliverables
You are required to present 3 papers, clearly explaining what are their significant finance contributions. Each presentation will cover a period of at least 60 minutes, discussing as much as possible the mathematical and econometric motivations of the paper. A minimum of 10 minutes will be set aside for a group discussion of each paper and questions for the presenter. You are expected to read all the required papers and participate in the classroom discussions. I will, based on your preferences, help you select appropriate papers when the class actually convenes.

The seminar will help you identify fruitful researchable topics. In any paper, you will develop the ability to (a) isolate and summarize the key ideas (b) critically evaluate its strengths and weaknesses (c) extend its strengths so as to achieve breakthrough results and (d) present your contributions in a concise and interesting way. You should use PowerPoint, Beamer or some other specialized package for your presentations.

Assignments:
Each assignment, if based on a paper, will ask you to (a) summarize and critically evaluate the specific paper and (b) develop its logical extension, treating the subject matter as the basis for a possible research paper or thesis proposal. For the summary and evaluation part, each report’s summary section should be no more than 6 pages, typewritten in 11-point font. The entire report on each paper should not exceed 10 pages (without reference section). If you include a reference section your report should not exceed 15 pages. Reports should contain at minimum the following elements (i) a brief synopsis of the paper (ii) the paper’s main contribution to the literature (iii) the methodological design of the paper (iv) the weaknesses of the paper (v) the robustness of the key results (vi) the key innovations in your suggested extensions and (vii) a section that explains and clarifies how your hypothesized innovations would change the area as we know it. Submit all assignments (independent work) by email to me on the following schedule, Feb. 15th - first assignment; Feb. 20th - second assignment; Mar. 29th - third assignment; Apr. 3rd
– fourth assignment, May 1st- fifth assignment. Your graded assignments will be returned within two weeks of my receiving them. I will make exceptions for unusual situations.

**Grading**

Grades are based solely on assignments, class presentations, participation and the final exam. There are 5 assignments, with the first one commencing after week five. Class presentations will count for 30% of the final grade. Class participation 10%. Assignments will count for 30% of the final grade. The final exam will count for 30% of your grade. Grading scale A:100-90; B:89-80; C:79-70; U:<70

**Auditing**

Auditing students are required to obtain permission from me prior to attending this class and to also formally register. Students auditing the course will present a similar number of papers as for credit students. Students are not allowed to audit without the intention of fulfilling this requirement. Auditing students are exempt from having to hand in any assignments. However, I will waive even these requirements for students who have passed their PhD dissertation proposals.

**Class Schedule**

Organizational Meeting and General Overview Lectures (s): Jan. 9th – Jan. 30th.

**Topic 1. UIP and Forward Premium Puzzle** (Jan. 30th. - Feb. 15th.)


**Topic 2. Excess Returns, Carry Trade, Liquidity and Volatility (Feb. 20th.- Mar. 14th)**


**Topic 3. Asset Pricing, Arbitrage, Optimal Portfolios and Diversification (Mar. 15th – Apr. 5th.)**


Kimball, M., (1990), “Precautionary Saving in the Small and in the Large”, *Econometrica* 58, 53–73. (P)


Lewis, K., (1999), "Trying to Explain Home Bias in Equities and Consumption," *Journal of Economic Literature* 37, 571-608. (P)


Harvey, C. R., (2016), “... and the Cross-Section of Expected Returns”, *Review of Financial Studies* 29, 5-68. (P)

**Topic 4. Leveraged Buyouts, Venture Capital and FDI** (Apr. 10th- May 1st.)


**Final Examination**

*Tuesday May 8th, 2018; 11 a.m. - 1.30 p.m.*

**Textbooks**

There are no required textbooks for this course, however the ones mentioned below are highly recommended for inclusion in your reference library. Please ensure that you select one that closely aligns with your core interests and make that the basis for your detailed use during this course. I will make references to one or more of these books during our seminar.


**Guide to Papers**

Papers that are marked (P) or (H*) may be presented by students. Papers not covered (and not labelled) can be part of your supplemental readings. Papers that are marked (PP) may be covered by me. Papers that are marked (H) are ones of historical significance and can be studied if you have a real interest in the origins of the literature. Papers that are marked (H*) are relevant from a historical perspective but are also still currently heavily cited. Papers that are unmarked are supplemental papers or interesting papers that are too short for a full session presentation but which may be used as assignments. Even the very short papers can be the basis for a future dissertation.