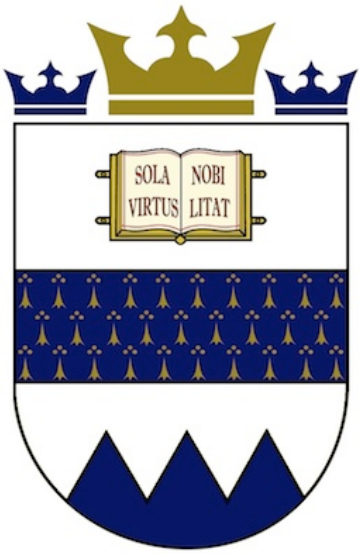

UGSM-MONARCH BUSINESS SCHOOL SWITZERLAND

Advanced Perspectives In Finance - FIN620

Course Outline

PROFESSOR: **Dr. Christophe Schinckus, Ph.D.**

COURSE OBJECTIVES

This course aims to present the new emerging field in finance. Behavioural Finance will be presented. After having studied the founder papers of this field, a portfolio and a capital asset pricing model in behavioural framework will be presented. The second part of the course will deal with econophysics. This field is very new and the course will only focus on the principles and the theoretical ideas of this approach.

STUDENT LEARNING OUTCOMES

By the end of the course, students will be familiar with a working knowledge of:

- Structuring Fundamentals of Behavioural Finance
- Developing Behavioural Strategies
- Principles of Econophysics

TEXTBOOK AND CASEBOOK REQUIREMENTS

This course is based on academic papers.

EVALUATION
The evaluation will consist of:

1.	A personal analysis of an academic paper related to behavioural finance	35%
2.	A personal analysis of an academic paper related to behavioural econophysics	35%
3.	Term paper discussing the potential link between behavioural finance and econophysics	30%
	Total	100%

SCHEDULE

The course is based on two parts as shown below:

Part 1: Introduction to Behavioural Finance

- Foundations of Behavourial Finance
    - Tversky A. and Kahneman D. (1974), « Judgment under uncertainty : Heuristics and biases », Science, Vol. 185, 1124-1131.
    - Kahneman D. and Tversky A. (1979), « Prospect Theory : an analysis of decision under risk », Econometrica, vol. 47, n° 2, 263-292.
- Behavioural Models
    - Subrahmanyam A. (2008), Behavioural Finance: A Review and Synthesis, European Financial Management, Vol 14, no 1, 12–29,
    - Shefrin H. and Statman M. (1994), “Behavioural Capital Asset Pricing Theory”, Journal of Financial and Quantitative Analysis, Vol. 29, n° 3, 323-349.
    - Shefrin H. and Statman M. (2000), “Behavioural Portfolio Theory”, Journal of Financial and Quantitative Analysis vol. 35: 127-151
- Reflections about Behavioural Finance
    - Frankfurter G. et McGoun E. (2002), « Resistance is futile : the assimilation of behavioral finance », International Review of Financial Analysis, vol. 10, 375-389.
    - Fama, E. F. (1998) Market Efficiency, Long-Term Returns, and Behavioral Finance, Journal of Financial Economics 49: 283–306.
    - Frankfurter G. (2007), Market Efficiency cum Anomalies, or Behavioral Finance? Homo Oeconomicus 24(1): 81–93.

Part 2: Introduction to Econophysics

- Foundations of Econophysics
    - Bouchaud, Jean-Philippe 2002. An Introduction to statistical finance Physica A 313. 1: 238-251.

- Econophysics and Finance
    - Stanley, Eugene, Xavier Gabaix et al. 2008. A statistical physics view of financial fluctuations : Evidence for scaling universality. Physica A 387. 1: 3967-3981
    - Gupta, H. and Campanha, J. (1999) The gradually truncated Lévy flight for systems with power-law distributions. Physica A 268. 231-239
    - Bucsa G., Jovanovic F. and Schinckus C. (2011). A unified model for price return distributions used in econophysics, Physica A
    - Schinckus C., (2011), “Econophysics and Levy Processes: Statistical implications for financial economics”, University of Quebec at Montreal, working paper.

- Reflections about Econophysics
    - Schinckus C., (2011), “What can Econophysics contribute to Financial Economics?” International Review of Economic, vol 58, no 2, 147-163
    - Schinckus C., (2009) “Economic Uncertainty and Econophysics”, Physica A, Vol 388, n° 20, 4414-4423.