

Course Outline

EE434 Behavioral Finance

Semester1/2024 (August 13 – December 2, 2024)

Lecture time: Thursdays, 9.00am - 12.00pm
Lecture venue: Room 302, The Faculty of Economics' Building
Number of credits: 3 credits (3-0-6)
Group/Section: 046401

Instructor: Dr. Sunsiree Kosindesha
Email: sunsiree@econ.tu.ac.th
Office Venue: Room 429
Office hours: online or onsite, by appointment

Communication:

1. Google classroom

[EE434 Behavioral Finance Sem 1/24](#)

Class code: [gkhqo75](#)

Join class:

<https://classroom.google.com/c/NzAzNzIxODk4Njk2?cjc=gkhqo75>

2. line group

[EE434BeFi🌸24](#)

Invite link:

https://line.me/ti/g/DweUc_fcSN

QR code:



Course description:

Study concepts and frameworks of behavioral economics that are used to explain observations in the financial sector. Topics of the subject include the Prospect Theory and its implications for investment behaviors, empirical evidences in the financial sector that support the idea of behavioral economics, models that incorporate psychological and sociological factors in explaining asset returns, or other related topics that the lecturer finds suitable.

Prerequisites: EE311

Course Objective:

1. To provide students with concepts in the field of behavioral finance, oriented towards Behavioral Finance Microeconomics (BFMI), such as Prospect theory, heuristics, biases, and emotion.
3. To learn how behavioral finance can help promote the understanding of how financial decision-makings are made in financial market, and how it can help us to understand financial phenomena like the equity premium puzzle, overreaction and underreaction better.

Teaching Materials and Resources:

Main textbook:

[A&D] Ackert, L. F. and R. Deaves (2010). ***Behavioral Finance: Psychology, Decision-Making, and Markets***. Mason, OH: South-Western Cengage Learning.
[Puey Ungphakorn Library, Tha Phra Chan Campus HG4515.15 .A25 2010](#)

[Thaler] Thaler, Richard H., ed. (2005). ***Advances in Behavioral Finance, Volume II***. STU-Student edition. Princeton University Press.

[Dhami] Dhami, S. (2016). ***The Foundations of Behavioral Economic Analysis***. Oxford University Press.
Part 7
[Puey Ungphakorn Library, Tha Phra Chan Campus HB74.P8 D43 2016](#)

Cartwright, E. (2024). ***Behavioral Economics, Fourth Edition***. Routledge.
<https://doi.org/10.4324/9781003357971>

Statman, M. (2019). ***Behavioral Finance: The Second Generation***. CFA Institute Research Foundation.

Baddeley, Michelle. (2019). ***Behavioural Economics and Finance***. Abingdon, Oxon ; New York, NY : Routledge, an imprint of the Taylor & Francis Group.

Chapter 13, 14, 15

Puey Ungphakorn Library, Tha Phra Chan Campus HB74.P8 B33 2019

Supplementary textbooks:

Baker, H. Kent and Nofsinger, John R. and Ricciardi, Victor. (2024) *Advanced Introduction to Behavioral Finance*. Elgar Advanced Introductions Series, pp. 144-155, Northampton, MA: Edward Elgar Publishing.

Venezia, I. (2018). *Lecture Notes in Behavioral Finance* (Tel Aviv-Yaffo Academic College, Israel/The Hebrew University of Jerusalem, Israel). World Scientific Lecture Notes in Finance. <https://doi.org/10.1142/10751>

Recommended book (for fun and for knowledge):

Baker, H. Kent, Filbeck, Greg, Nofsinger, John R. (2019). ***Behavioral Finance What Everyone Needs to Know***. New York: Oxford University Press.

Housel, M. (2020). ***The Psychology of Money: Timeless lessons on wealth, greed, and happiness***. Harriman House Limited.

Kahneman, D. (2011). ***Thinking, Fast and Slow***. Farrar, Straus and Giroux.

Montier, J. (2010). ***The little book of behavioral investing: How not to be your own worst enemy***. John Wiley & Sons, Inc..

Statman, M. (2017). ***Finance for normal people: How investors and markets behave***. Oxford University Press.

Thaler, R. H., & Ganser, L. J. (2015). ***Misbehaving: The Making of Behavioral Economics***.

Academic Journal:

Papers discussed/mentioned in class will be provided on Google classroom. Suggested readings include, but not limited to:

Barberis, Nicholas & Thaler, Richard (2003). ***A survey of behavioral finance***. Handbook of the Economics of Finance, in: G.M. Constantinides & M. Harris & R. M. Stulz (ed.), Handbook of the Economics of Finance, edition 1, volume 1, chapter 18, pages 1053-1128 Elsevier.

Barberis, N. (2018). ***Psychology-based models of asset prices and trading volume***. In Handbook of Behavioral Economics: Applications and Foundations 1 (Vol. 1, pp. 79-175). North-Holland.

Assessments:

Individual Learning Journal (Click2Win journal or Favorite-book-chapter or Favorite movie journal)	10%
BeFi Ted Talk , individual or in group (Pick a paper and present in Ted-Talk style)	10 %
Capstone Project – Venti , individual or in group (Research route or Product design route, with a lightning presentation)	25 %
Midterm Exam	25 %
Final Exam	30 %

Guidelines for “Click2Win learning journal/Favorite book chapter journal” “BeFi Ted Talk” and “Capstone Project Venti” will be provided in google classroom’s assignments.

Exam date and time:

Mid-term Exam:	Thursday, October 3, 2024;	9.00 AM – 11.00 AM
Final Exam:	Friday,	December 6, 2024; 1.30 PM – 4.30 PM

Expected Learning Outcomes:

1. Morality and Ethics

Applicability	Learning Goals
●	1.1 Students demonstrate integrity.
○	1.2 Students prioritize social and public benefits over personal ones.
●	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.
○	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.
○	1.5 Students realize the cultural and environmental value of the sustainable society.

2. Knowledge

Applicability	Learning Goals
●	2.1 Students know and understand modern economics principles and theories, and are up to date with new developments.
●	2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events.
●	2.3 Students know and understand instruments of economic analysis.
●	2.4 Students know and understand applied fields in economics, including monetary, public, international, business, natural resource and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.
○	2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science.

3. Intellectual Development

Applicability	Learning Goals
●	3.1 Students have developed individual critical thinking.
●	3.2 Students are sufficiently trained in research skills.
●	3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.

4. Interpersonal Skills and Responsibilities

Applicability	Learning Goals
●	4.1 Students are responsible for assigned tasks and work in groups effectively.
●	4.2 Students have problem-solving skills.
●	4.3 Students show leadership skills and team spirit.
●	4.4 Students are always improving themselves.
●	4.5 Students have good interpersonal skills, adapting and working under different conditions.

5. Quantitative Analysis, Communication and Information Technology

Applicability	Learning Goals
●	5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.
●	5.2 Students communicate effectively and select appropriate presentation methods.
●	5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.

Course Outline is in the NEXT page.

Course Outline

Here are the topics and **some**, not all, key ideas for each topics. *The topics are subject to change as instructor sees fit when course proceeds.* Related research papers for each topic will be posted on google classroom.

Topics	Main Textbook
Part I: Foundations	
Introduction <ul style="list-style-type: none"> • To understand financial decision-making, financial behavior, financial phenomena such as: the equity premium puzzle, the disposition effect, the ostrich effect, insurance, settlement 	Cartwright, Ch 3.6
Foundations of Finance: Expected Utility Theory <ul style="list-style-type: none"> • Allais Paradox 	A&D, Ch.1
Part II: Investor Behaviors, Stock Returns, Equity Premium Puzzle	
Models of investor behaviors under risk and uncertainty: <ul style="list-style-type: none"> • Prospect Theory, Framing • Loss aversion, Probability Weighting • Fourfold pattern of risk attitudes • Myopic Loss Aversion • Mental Accounting • House money Effect, Snakebit Effect, Breakeven effect • Ambiguity aversion 	A&D, Ch.3, Ch. 14 Thaler, Part 2, 5 Dhami, Ch. 20
Heuristics and Biases and their implications for financial decision-making <ul style="list-style-type: none"> • The Representativeness Heuristics • The Availability Heuristics • The Anchoring&Adjustment Heuristics • Familiarity Heuristics • Debt-repayment heuristics • Home bias, Extrapolation bias, etc. 	A&D, Ch.5, 8 Dhami, Ch. 19
Overconfidence and their implications for financial decision-making, and factors that impede learning <ul style="list-style-type: none"> • Self-attribution bias, Confirmation bias, Hindsight bias • Survivorship bias 	A&D, Ch.6, 9

Topics	Main Textbook
Individual Investors and the Force of Emotion <ul style="list-style-type: none"> • Anxiety under uncertainty • Fear and Greed, Fear and Greed Index • Weather • Sleep • Regret 	A&D, Ch.7, 10
Social forces <ul style="list-style-type: none"> • Herd Behavior 	A&D, Ch.11, 14
Part III: Limits to arbitrage	A&D, Ch. 2, 4 Thaler, Part 1 Dhimi, Ch. 21
Part IV: Overreaction and Underreaction	A&D, Ch. 14 Thaler, Part 3&4 Dhimi, Ch. 21

