BACHELOR OF ECONOMICS
THAMMASAT UNIVERSITY

Course Outline

EE434 Behavioral Finance

Semester 1/2021 (August 9 – November 27, 2021)

<u>Number of credits</u>: 3 credits (3-0-6)

<u>Lecture time:</u> Tuesdays & Thursdays, *9.30 - 11.00am*

<u>Lecture venue:</u>

Real-time online class via Zoom

Zoom meeting ID for <u>every</u> classes: 946 8029 5391

Join Zoom meeting: https://zoom.us/j/94680295391

Join Zoom meeting by QR code:

Handouts will be posted before classes and the zoom recorded videos will be posted after each class on google classroom and BE Moodle.

<u>BE Moodle</u>: Enrollment key: 0139

<u>Communication:</u>

1. Google classroom
Class code: c56zkqd

Join class:
https://classroom.google.com/c/Mzc1MjY4Mjc5NjQ3?cjc=c56zkqd

2. line group
Invite link: http://line.me/ti/g/FmuAqhID77

QR code:

Instructor: Dr. Sunsiree Kosindesha

Email: sunsiree@econ.tu.ac.th

Zoom office hours: by appointment (please email)

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 an introduction to the field of behavioral finance, focusing on Behavioral Finance Microeconomics (BFMI).

2. To provide students with an introduction to Prospect theory and other behavioral science foundations such as heuristics, biases, emotion.

3. To learn how behavioral finance can help promote the understanding of how financial decision-makings are made in financial market.

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.

Note: Students will receive the username and password to access the e-book via @st.econ.tu.ac.th email.

Supplementary textbooks:

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

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

Recommended book (for fun and for knowledge):

Ariely, D. (2010). Predictably Irrational : the Hidden Forces That Shape Our Decisions. New York :Harper Perennial.

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

Kahneman, D. (2011). Thinking, fast and slow. Farrar, Straus and Giroux.

Academic Journal:

Papers discussed/mentioned in class will be provided on BE Moodle and Google classroom. Suggested readings include:

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.

Thaler, R., & Johnson, E. (1990). Gambling with the House Money and Trying to Break Even: The Effects of Prior Outcomes on Risky Choice. Management Science, *36*(6), 643-660. Retrieved August 2, 2021, from http://www.jstor.org/stable/2631898

Assessments:

Assignments	15 %
Research Project	20 %
Midterm Exam	25 %
Final Exam	40 %

Midterm and final exams will be take-home exams. Date and time will be as originally scheduled in the midterm and final periods (as stated below). Midterm and final exams are subject to the student ethical code guided by the university regulation.

Exam date and time:

Mid-term Exam: Thursday, September 30, 2021; 09.00 – 11.00 AM
Final Exam: Tuesday, December 7, 2021; 09.00 – 11.30 AM

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 in Thailand. 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:

Topics	Textbook
1. Introduction	
2. Foundations of Finance: Expected Utility Theory	A&D, Ch.1 Venezia, Ch. 2, 3
3. Models of investor preferences: Prospect Theory, Framing, and Mental Accounting Ambiguity aversion	A&D, Ch.3 Venezia, Ch. 4, 5, 6
4. Heuristics and Biases and their implications for financial decision-making	A&D, Ch.5, 8 Venezia, Ch. 11, 14, 15
5. Overconfidence and their implications for financial decision-making	A&D, Ch.6, 9 Venezia, Ch7
6. Emotional Foundations, Individual Investors and the Force of Emotion	A&D, Ch.7, 10
7. Social forces	A&D, Ch.11
8. Behavioral Investing	A&D, Ch.18, 19 Venezia, Ch.8, 9, 11, 17
9. Market Efficiency, Limits to arbitrage, and Stock Market Puzzles	A&D, Ch. 2, 4, 14 Venezia, Ch.10, 12

The topics are subject to change as instructor sees fit when course proceeds.

ACADEMIC CALENDAR & HOLIDAY
SEMESTER 1/2021

Semester 1/2021 (August 9 - November 27, 2021)	
Classes Begin	August 9, 2021
Add-drop period	August 16 – 19, 2021
Tuition Fee Installment Plan For ID.61-63 only *(9 AM - 10.30 PM)*	#Round 1 (July 16 – 18, 2021) #Round 2 (August 20 – 22, 2021) #Round 3 (September 20 – 22, 2021)
*H.M. Queen Sirikit The Queen Mother's Birthday**	*August 12, 2021*
Mid-term Examination Period	September 27 - October 3, 2021
Withdrawal period with "W" on record	October 11 - November 15, 2021
*H.M. King Bhumibol Adulyadej The Great Memorial Day**	*October 13, 2021*
*King Chulalongkorn's Day**	*October 23, 2021*
*Substitution for King Chulalongkorn's Day**	*October 25, 2021*
Last day of class for Semester 1/2021	November 27, 2021
Final exam period	November 29-30, December 1-3, 7-9, 11-17, 2021
*H.M. King Bhumibol Adulyadej The Great's Birthday**	*December 5, 2021*
*Substitution for H.M. King Bhumibol Adulyadej The Great's Birthday**	*December 6, 2021*
*Constitution Day**	*December 10, 2021*

Remark * Holiday, No classes during this period