

## Course Outline

# EE434 Behavioral Finance

Semester 1/2022 (August 8 – November 26, 2022)

Number of credits: 3 credits (3-0-6)

Lecture time: Tuesdays & Thursdays, 9.30 – 11.00am

Lecture venue:

The conference room, 5<sup>th</sup> floor, the Faculty of Economics, Tha Phra Chan

Real-time online class via Zoom

Zoom meeting ID for every classes: 946 8029 5391

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

Join Zoom meeting by QR code:



BE Moodle: Enrollment key: 4256

Communication:

1. Google classroom

Class code: [solmqqx](#)

2. line group

Invite link: <https://line.me/ti/g/cd0M8-S4Ft>

Join class:

<https://classroom.google.com/c/NTI2MjQyNDUzMDY5?cjc=solmqqx>

QR code:



**Instructor:** Dr. Sunsiree Kosindesha

Email: [sunsiree@econ.tu.ac.th](mailto:sunsiree@econ.tu.ac.th)

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 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 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](#)  
e-book: <https://thlib.org/book/2947003/5d0636>

## Main textbook:

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:

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, 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):

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.

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

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

## Academic Journal:

Papers discussed/mentioned in class will be provided on BE Moodle and 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:

Assignments	15 %
Capstone Project mini	20 %
Midterm Exam	25 %
Final Exam	40 %

## Exam date and time:

Mid-term Exam:	Thursday, September 29, 2022; 09.00 – 11.00 AM
Final Exam:	Tuesday, December 6, 2022; 1.30 – 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

Topics	Textbook
<b>Part I: Foundations</b>	
Introduction	
Foundations of Finance: Expected Utility Theory	A&D, Ch.1
<b>Part II: Investor Behaviors, Stock Returns, Equity Premium Puzzle</b>	
Models of investor behaviors under risk and uncertainty: <ul style="list-style-type: none"> <li>- Prospect Theory, Framing, and Mental Accounting</li> <li>- Ambiguity aversion</li> </ul>	A&D, Ch.3, Ch. 14 Thaler, Part 2, 5 Dhami, Ch. 20
Heuristics and Biases and their implications for financial decision-making	A&D, Ch.5, 8 Dhami, Ch. 19
Overconfidence and their implications for financial decision-making	A&D, Ch.6, 9
Emotional Foundations, Individual Investors and the Force of Emotion	A&D, Ch.7, 10
Social forces	A&D, Ch.11, 14
<b>Part III: Limits to arbitrage</b>	A&D, Ch. 2, 4 Thaler, Part 1 Dhami, Ch. 21
<b>Part IV: Overreaction and Underreaction</b>	A&D, Ch. 14 Thaler, Part 3&4 Dhami, Ch. 21

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

Related research papers for each topic will be posted on BE moodle and google classroom.