IB9Y2-15 Behavioural Finance

20/21

Department
Warwick Business School
Level
Taught Postgraduate Level
Module leader
Constantinos Antoniou
Credit value
15
Module duration
9 weeks
Assessment
100% coursework
Study location
University of Warwick main campus, Coventry

Description

Introductory description

This module is an introduction into the vibrant and rapidly expanding field of behavioural finance. We will first define what economists usually mean by the term rationality. Then we will discuss in detail some of the key ways that peoples' behaviour can deviate from this definition, and how these deviations can provide an explanation for many of the anomalies we observe in financial markets.

[Module web page]()

Module aims

To provide students with good knowledge of:
i) behavioural economics;
ii) empirical “anomalies” observed in financial markets, and behavioural explanations of these anomalies
iii) limits to arbitrage

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

Introduction to Behavioural Finance
Decision Heuristics
Limits to Arbitrage
Style Investing
Prospect Theory
Ambiguity
Investor Overconfidence
Investor Sentiment
Behavioural Corporate Finance
The module primarily concentrates on the psychological motivations that underlie financial decisions and their aggregate implications. In some cases, these motivations could be contrasted with ethical practice with regards to stakeholders and the financial system as a whole.

Learning outcomes

By the end of the module, students should be able to:

- Recognise the value of alternative paradigms based on psychological and social forces for decision making in finance Prospect Theory.
- Comprehensively understand the importance of the distinction between risk and uncertainty.
- Recognise and interpret so called anomalies in asset pricing.
- Comprehensively understand the limitations of arbitrage as a force for bringing about efficient pricing.
- Appreciate the implications of heterogeneity in financial markets.

Indicative reading list

Montier, James Behavioural Finance, Wiley 2002.
Shleifer, Andrei Inefficient Markets, Oxford University Press 2000.

Subject specific skills

Evaluate evidence for pricing anomalies.
Build models that incorporate behavioural characteristics.

Transferable skills

Be able to interpret market phenomena from a behavioural perspective.
Exercise initiative and personal responsibility.
Work effectively independently and as part of a team.

Study

Study time

Type	Required
Lectures	9 sessions of 2 hours (8%)
Seminars	9 sessions of 1 hour (4%)
Private study	123 hours (55%)
Assessment	73 hours (33%)
Total	223 hours

Private study description

Self-study includes preparation for assessments and pre-reading for lectures and seminars

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group A

	Weighting	Study time
Individual Written Project	90%	65 hours
Class Participation	10%	8 hours
Class participation related to the asynchronous content		

Feedback on assessment

Feedback via My.WBS

Availability

Courses

This module is Optional for:

- Year 1 of TIBS-N4N3 MSc in Accounting and Finance
- Year 1 of TIBS-N300 MSc in Finance
- Year 1 of TECS-C8P8 Postgraduate Taught Behavioural and Economics Science (Economics Track)
- Year 1 of TECA-L1P6 Postgraduate Taught Economics

- Year 1 of TECA-L1P7 Postgraduate Taught Economics and International Financial Economics
- Year 1 of TIBS-LN1J Postgraduate Taught Finance and Economics
- Year 1 of TIBS-N3G1 Postgraduate Taught Financial Mathematics