

Recent Topics in Empirical Financial Research

Doctoral Course at the Swiss Finance Institute, University of Zurich

May 2018

Professor: [John M. Griffin](http://www.jgriffin.info) (www.jgriffin.info)

General Description of Course Content:

This course consists of a study of recent empirical finance research with an emphasis on understanding some important events and debates of our time and how to create finance research that is useful for society. The main topics examined will be the state of current empirical asset pricing, the growing use of causal methods, research regarding the causes and consequences of the financial crisis, and the growing field of forensic finance. As such, there will be considerable discussion of research trends and in the formation of new research ideas in these areas.

Learning Goals:

The learning goals to further the researcher to be able to do meaningful independent work that will impact our society. The hope is to create finance research with broader potential purpose and positive benefit for the field. The intent is that the student will gain the experience and knowledge in forming hypotheses and methods so that at the completion of the course everyone is better prepared to conduct their own research. The idea assignments will help the students learn to critique and value various ideas.

Prerequisites:

A reasonable understanding of PHD level econometrics. Students should be able to read and understand academic papers. Students who have completed a PHD seminar course in empirical asset pricing or empirical corporate finance will likely get more out of the class, but such background is not required.

Date:	Readings:	Assignments:	Special Notes:
Class 1: Mon, May 28	Introduction to Research Methods and Recent Trends in Empirical Finance		
Class 2: Tues. May 29	International Financial Crisis and Real Estate	Idea Assignment	
Class 3: Wed. May 30	Forensic Finance	Idea Assignments	
	FINAL Assignment	Sent via email	

On May 28, the class kicks off with a brownbag seminar presentation by Professor Griffin, from 12.15-1 p.m., in PLD-E-04 (Plattenstrasse 32). The class then continues from 2.30-5.45 p.m. in PLD-E-04.

On May 29 and May 30, classes take place from 1 p.m. to 5 p.m. in KO2-F-156 (main building of the University).

Idea Assignments:

The purpose is to learn how to source ideas and think creatively. Include a Title with a short abstract, no more than 150 words of your idea. They will be discussed in front of the class so that the class can see how ideas can be evaluated and what must be done to evaluate if a research topic and then idea is viable.

Final Assignment:

Your final assignment is to present an abstract, introduction with your placement in the literature, contribution, and outline of what data you will use and your empirical strategy. (7-12 pages double-spaced). This can be an extension of one of your idea assignments or something different and the topic can be on anything empirical in finance (broadly defined). The goal is to get you started researching a topic.

Readings: (Subject to Change)

(r): required

(s): supplementary and for your reference

ALL READINGS ARE SUBJECT TO CHANGE

Class 1: Introduction to Research Methods and Recent Trends in Empirical Finance

(r) Karolyi, Andrew. The Ultimate Irrelevance Proposition in Finance? *Financial Review*. (2011). 46(4): 485-512.

(r) Kent Daniel and Sheridan Titman. [Testing Factor-model Explanations of Market Anomalies](#). *Critical Finance Review*. (2012). 1(1): 103-139.

(r) Harvey, C. R. (2017), Presidential Address: The Scientific Outlook in Financial Economics. *The Journal of Finance*, 72: 1399–1440. doi:10.1111/jofi.12530

Causal Methods being used in Investments, An example:

(r) Chang, Yen-Cheng, Harrison Hong, and Inessa Liskovich. "Regression discontinuity and the price effects of stock market indexing." *Review of Financial Studies* (2014)

Class 2: The Financial Crisis and Real Estate

(r) Andrew W. Lo. [Reading About the Financial Crisis: A 21-Book Review](#). *Working Paper*. (2012).

(r) Mian, Atif, and Amir Sufi. "[The consequences of mortgage credit expansion: Evidence from the US mortgage default crisis](#)." *The Quarterly Journal of Economics* 124.4 (2009): 1449-1496.

(r) Griffin, John M., and Gonzalo Maturana. “Did Dubious Mortgage Origination Practices Distort House Prices?.” *Review of Financial Studies* (2016): hhw013.

(r) Piskorski, Tomasz and Seru, Amit and Witkin, James, Asset Quality Misrepresentation by Financial Intermediaries: Evidence from RMBS Market, *Journal of Finance*.

(s) Acharya, Viral V. and Richardson, Matthew P., Causes of the Financial Crisis (May 1, 2009). *Critical Review*, Vol. 21, Nos. 2 & 3, pp. 195-210, 2009.

(s) Manuel Adelino, Antoinette Schoar, Felipe Severino; Loan Originations and Defaults in the Mortgage Crisis: The Role of the Middle Class. *Rev Financ Stud* 2016; 29 (7): 1635-1670. doi: 10.1093/rfs/hhw018

(s) Mian, A., Sufi, A. and Trebbi, F. (2015), Foreclosures, House Prices, and the Real Economy. *The Journal of Finance*, 70: 2587–2634. doi:10.1111/jofi.12310

(s) Atif Mian, Amir Sufi; Fraudulent Income Overstatement on Mortgage Applications During the Credit Expansion of 2002 to 2005. *Rev Financ Stud* 2017; 30 (6): 1832-1864. doi: 10.1093/rfs/hhw104

Class 3: Forensic Finance

(r) Zingales, L. (2015), Presidential Address: Does Finance Benefit Society?. *The Journal of Finance*, 70: 1327–1363. doi:10.1111/jofi.12295

(r) John M. Griffin, Gonzalo Maturana; Who Facilitated Misreporting in Securitized Loans?. *Rev Financ Stud* 2016; 29 (2): 384-419. doi: 10.1093/rfs/hhw130

(r) John M. Griffin, Amin Shams; Manipulation in the VIX?, *The Review of Financial Studies*, , hhx085, <https://doi.org/10.1093/rfs/hhx085>

(r) Egan, Mark and Matvos, Gregor and Seru, Amit, The Market for Financial Adviser Misconduct (2017). Forthcoming *JPE*.

(s) Jay Ritter. [Forensic Finance](#). *Journal of Economic Perspectives*. (2008). 2(3): 127-147.

(s) Stefan Zeume; Bribes and Firm Value. *Rev Financ Stud* 2017; 30 (5): 1457-1489. doi: 10.1093/rfs/hhw108

Topic 4 (time permitting): Mutual Funds and International Finance

(r) Kent Daniel, Mark Grinblatt, Sheridan Titman, and Russ Wermers. [Measuring Mutual Fund Performance with Characteristic-Based Benchmarks](#). *Journal of Finance*. (1997). 52: 1035-1058.

(r) Karolyi, Andrew and Ying Wu. [The Role of Investability Restrictions on Size, Value, and Momentum in International Stock Returns](#). *Working Paper*.

(s) Bartram, S. M., Griffin, J. M., Lim, T. H., & Ng, D. T. (2015). How important are foreign ownership linkages for international stock returns?. *Review of Financial Studies*, 28(11), 3036-3072.

(s) Martijn Cremers and Antti Petajisto. [How Active Is Your Fund Manager? A New Measure that Predicts Performance](#). *Review of Financial Studies*. (2009). 22(9): 3329-3365. Focus on pages 3334-3340.

Course Policy

Readings: Readings should be done **in advance of the class** in which material will be discussed. The outline below will advise of the relevant topic of discussion. Additional handouts may be made available in class.

Fairness to Students: I strive to treat students with dignity and fairness. This does not mean that I will agree with your ideas. If you feel that I have been unfair in any way, please let me know. It takes courage to do so.

Professionalism: Academic dishonesty includes but is not limited to: lying, cheating, stealing (e.g., answers), multiple submissions, plagiarism (including, improper attribution of sources), unauthorized cooperation, and misrepresentation of facts. It is your responsibility to understand all attributes of proper conduct. In particular, students should understand exactly how to engage in proper citations. Lack of knowledge is no excuse. Please carefully read: <http://writing.yalecollege.yale.edu/advice-students/using-sources/understanding-and-avoiding-plagiarism/what-plagiarism>

Any individual assignment should be completed individually without help from others. Group *preparation* for idea assignments, examinations, and final paper is acceptable and encouraged.