

ECO 464H1/ECO 2511H1
Empirical Financial Economics
Fall Term 2019
M 5-8 in ES B149

Instructor: [Peter Cziraki](mailto:peter.cziraki@utoronto.ca)
peter.cziraki@utoronto.ca

Office: Max Gluskin House 209
Office hours: T 11-12, T 3-4

Course Description

The course covers cutting-edge research papers in finance with the aim of showing students the neatest, most interesting pieces of empirical work that define our current knowledge of the field. The course has two goals. First, to equip students with the tools required to conduct empirical research in finance. Second, to present the most recent empirical facts in various areas of finance. Accordingly, in each lecture we will study both an empirical method, some examples of how it is applied in one field of finance, and the state of the empirical literature in that field.

The expectation is that students who successfully complete the course will:

- 1) Develop an understanding of the concept of the “ideal experiment” in empirical research, and how endogeneity issues can (or cannot) be dealt with in various real-life settings.
- 2) Apply econometric methods such as calculating abnormal returns, instrumental variables estimation, difference-in-differences, regression discontinuity, selection models, and propensity score matching to timely questions in financial markets and corporate finance.
- 3) Gain hands-on experience with the entire process of empirical analysis and writing up conclusions through a customized empirical project.

Evaluation

There are three evaluation components:

- A midterm (30%)
 - o October 21, 5-8 in RW 110
- An assignment (30%).
 - o Due date: 5PM on Monday, November 25
 - o Please see the separate document titled “Assignment for ECO464/ECO2511, Fall 2019” on Quercus for further details on content
- A final exam (40%)
 - o The exam is cumulative
 - o Time and date will be announced on Quercus

Teaching Assistant

The teaching assistant (TA) for the course is [Louis-Etienne Salmon-Belisle](#). He is responsible for grading midterms and assignments. He will hold office hours after the midterm to address any questions regarding the grading of the midterm. An announcement will be made on Blackboard to inform you of the time and venue of such office hours.

General Policies

Appeals

If you appeal to re-grade one of the midterm, assignment, or exam questions, I will re-grade the entire midterm/assignment/exam. Note that this may (and in the past usually has) lead to a lower overall grade. Your complaint has to be in writing and you must give a detailed outline as to why and where you think that the assessment is inaccurate. An exception to this rule is if you claim that a mistake was made when adding up your grades.

Not handing in the assignment

If you anticipate that you may miss the deadline for the assignment, you should contact me immediately. Late assignments carry a penalty of 10% per hour.

Practice Questions

In most sets of lecture slides I will include some practice questions. I will also post past exams on Quercus. Neither of these will have accompanying solutions. The course is geared particularly towards stimulating critical thinking, and learning how to approach empirical issues in financial markets. Often, there are several correct approaches to solving a given question. Please contact me during office hours if you have questions about how to solve practice questions or questions from past exams. No further practice questions will be provided.

Plagiarism

Plagiarism is a severe academic offense.

By submitting your assignment you certify that you have read and understood the university's policies on plagiarism. Please also consult the [university's website on academic writing](#). If I detect plagiarism, I will go through the standard process for academic misconduct.

Contact

- I hold 3 hours of office hours each week during the term (i.e. while classes are taught). To ensure that you get the most out of these, please come prepared with specific questions. Please be mindful of other students – potentially taking a different course with me – who may also wish to talk to me during this time. Finally, I kindly ask you to respect the schedule of my office hours.
- For questions about the class material, please come to my office hours.
- E-mails and the discussion board on Quercus should be used only for questions regarding logistics and organization of the course. If your question is of general interest, please post it on the discussion board. I will try to answer e-mails and posts on the discussion board by the end of the next business day. E-mail queries about class material that require

lengthy answers will receive the following answer: “Please see me during my office hours.” When sending an e-mail please use your University of Toronto e-mail address. Also, please mention the course code, ECO464 or ECO2511 in the subject line of your message.

- Please check the course website on Quercus regularly, especially course announcements. Use the discussion board in Quercus to ask questions regarding logistics and the organization of the course.

Acceptable Medical Notes

- The only accepted note is a fully completed [University of Toronto Medical Certificate](#).
- It must be **original** and completed by a qualified medical doctor (e.g., not an acupuncturist, chiropractor, or other health care professional).
- The physician’s OHIP registration number must be provided on the note.
- I will not, under any circumstances, accept post-dated medical notes. The physician’s report must establish that the patient was examined and diagnosed at the time of illness, not after the fact.
- If you miss an exam or midterm, the note must clearly state that on the date of exam or midterm, the student was too sick to write the test. Illness before the test is not sufficient grounds for missing the test. Nor will I accept notes that indicate that the student would have performed “sub-optimally”.

Feedback

Student feedback is the most important resource to continuously improve the course, and I take it seriously. I collect feedback in two formats.

- 1) Weekly (short) feedback: each week, you are welcome to submit your opinion about the week’s class, indicating what went well and what needs improvement. Please see the link “Weekly short feedback form” under course materials on Quercus.
- 2) “Halftime” evaluation: halfway through the course, after the midterm, you will be invited to answer a set of more detailed questions about your opinion on the course. A link to the online web form will be made available on Quercus.

Providing feedback is voluntary, strictly anonymous, and much appreciated.

Course Outline and Readings

Please see the document titled “Outline and Readings” on Quercus for the complete outline and list of readings. This document will be posted during the first week of the course. The outline is subject to change.

Planned coverage

Topics in finance

- 1) Managerial equity ownership
- 2) Mergers and acquisitions
- 3) Capital structure
- 4) Insider trading
- 5) Shareholder activism
- 6) Ownership structure
- 7) Managers and firm performance

Methods

- a) OLS – a review
- b) Cumulative abnormal returns and alternatives
- c) IV
- d) Differences-in-differences
- e) Regression discontinuity
- f) Selection models
- g) Treatment models