

ECO 464H1/ECO 2511H1  
Empirical Financial Economics  
Fall Term 2020

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

Delivery format: Online only  
Office hours: T14-15; T21.30-22.30

## 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.

## Meetings

Mini lectures spanning each topic are pre-recorded and will be made available on Quercus.

### *Office hours*

I will be available for live Q&A during office hours:

- Tuesdays 14-15\*;
- Tuesdays 21.30-22.30\*

Office hours will be held via a video conferencing platform (Zoom/BB Collaborate/MS Teams).

\*I will start the office hours at the specified time, i.e. *on the hour*. If there is no attendance in the first 15 (fifteen) minutes, I will end the office hour session.

To ensure that you get the most out of these, please come prepared with specific questions. Please be mindful of other students who may also wish to talk to me during this time. Finally, I kindly ask you to respect the schedule of my office hours.

## Evaluation

There are six evaluation components:

1. A critical writing assignment (20%)
  - Due by 11.00 on Tuesday, October 13
2. A take-home midterm (20%)
  - Due by 11.00 on Tuesday, October 27
3. An empirical assignment on insider trading (20%)
  - Due by 11.00 on Tuesday, November 24
4. An academic paper presentation to be done in a group of your choice (20%)
  - During the scheduled class hours (T 13-16), Tuesday December 1 and/or Tuesday December 8 (i.e. weeks 11-12), depending on the number of groups
  - We will make an effort to optimize the scheduling across time zones but students should expect to participate in class on these two days and not schedule anything else during those hours
5. A “referee report” on an academic paper (15%)
  - Due by 11.00 on Thursday December 17, (i.e. during the “final assessment period”)+
6. *Constructive and professional* participation in the course (5%)
  - Participation in the Q&A during the paper presentations (see 4 above)
  - Other participation live or in writing (e.g. online discussion boards) throughout the course, where the opportunity arises, including, but not limited to
    - Interactions with fellow students
    - Interactions with the instructor and the teaching assistant

All of the deadlines are Toronto (Eastern Standard, or Daylight, as appropriate) time – i.e. for an 11.00 deadline, a student in Beijing has to submit by 23.00 Beijing time, and a student in Vancouver has to submit by 8.00 Vancouver time.

Late assignments carry a penalty of 10% (of the total assignment grade) per hour.

The overall grade for the course will be calculated as the weighted average of these evaluation components with the weights given above.

### *The use of Turnitin.com*

Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University’s use of the Turnitin.com service are described on the Turnitin.com web site.

---

+ In accordance with the [Faculty of Arts and Science changes to the Academic Handbook dated August 24, 2020](#):

“For F and Y courses that start in September 2020, instructors may set the submission deadline of one term assignment during a Final Assessment Period provided that:

1. The course has no final assessment (or term test for Y-courses) scheduled during the Final Assessment Period.
2. Instructors give students the term assignment details no later than the last two weeks of the term (before November 26 for F-courses and March 18 for Y-courses).”

## Teaching Assistant

The teaching assistant (TA) for the course is [Alison Taylor](#). She is responsible for grading assignments and tests. She will hold office hours to address any questions regarding the grading. An announcement will be made on Quercus to inform you of the time of such office hours.

## General Policies

*Appeals of term work (i.e. everything except the “referee report”)*

Claiming *only* that a mistake was made when adding up your grades does not constitute an appeal. If you believe this is the case, simply email the TA in the first instance.

The following regulations govern “substantive” appeals on term work (except the “referee report”), i.e. cases in which you claim that an error was made in assigning points to your answers (you should have received more points than you were given).

If you appeal to re-grade one of the assignment/test questions, I will re-grade *the entire* assignment/test. Note that this may (and in the past usually has) lead to a lower overall grade. All appeals must follow the procedure below:

- a) **No appeals on term work are accepted in the first ten days after the grade is communicated.** If university policy sets a deadline to appeal grades, in all cases I will automatically extend this deadline by ten days so that students have the same amount of time during which they can hand in an appeal. Again, this applies to term work, not to the “final timed assessment”.
- b) 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.
- c) You must also suggest how many marks/points/percentages you believe your answer was worth and why.

I reserve the right not to respond to appeals that violate any of these conditions.

## *Practice Questions*

In most sets of lecture slides I will include some practice questions. These will not 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. 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*

- a) For questions about the class material, please attend my office hours.
- b) For organizational matters, please refer to this syllabus and the course outline first
- c) E-mails should be used only for questions regarding logistics and organization of the course. I will try to answer e-mails by the end of the next business day. 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.
- d) If you do not receive a response from me by the end of the next business day, the most likely reason is that one of (a)-(c) above are not satisfied.**
- e) Please check the course website on Quercus regularly, especially course announcements.

*Missing an assessment deadline*

If you anticipate that you might miss an assignment deadline, the best course of action is to contact me immediately. Students who are unable to attend office hours, view recorded lectures, and/or make an assessment deadline for any reason (e.g., COVID, other illness or injury, family situation) and who require consideration for missed academic work should do **two things:**

- a) report their absence through the online absence declaration. The declaration is available on ACORN under the Profile and Settings menu **and**
- b) reach out to me to explain the situation.

**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

Methods

- a) OLS – a review
- b) Cumulative abnormal returns and alternatives

- 3) Capital structure
  - 4) Insider trading
  - 5) Shareholder activism
  - 6) Ownership structure
  - 7) Managers and firm performance
- c) IV
  - d) Differences-in-differences
  - e) Regression discontinuity
  - f) Selection models
  - g) Treatment models