

Subject Code	AF6305
Subject Title	Asset Pricing and Investment Research
Credit Value	3
Level	6
Normal Duration	One semester
Pre-requisite / Co-requisite/ Exclusion	Nil
Objectives	This subject introduces basic asset pricing theory and applications in asset pricing modeling. This subject will expose research students to recent development in asset pricing and investment research with the focus on empirical asset pricing.
Intended Learning Outcomes	<p>Upon successfully completing this course, students should be able to: Understand the asset-pricing models, methodology in testing asset-pricing models, new development in asset pricing models, cross-section of stock returns, and behavioral biases.</p> <p>(a) Understand the fundamental theories of finance, the asset pricing models, stochastic discount factor, pricing kernel and their implications</p> <p>(b) Understand basic techniques in deriving the asset pricing models and able to follow recent research papers using these techniques.</p> <p>(c) Understand the methodologies to test asset pricing models</p> <p>(d) Understand the cross-section of stock returns and behavioral biases</p> <p>(e) Understand the most recent research topics in empirical asset pricing</p> <p>(f) Understand how to choose research topics, to write a research paper, and to present a paper</p>
Subject Synopsis/ Indicative Syllabus	<p>Popular empirical asset pricing models (Learning Outcomes a and b) The CAPM, the consumption-based CAPM, the APT, the ICAPM, the Macroeconomic factor model, the intermediary asset-pricing model, and the political uncertainty asset pricing model, q-theory asset pricing model, Fama-French factor models, characteristic-based asset pricing model.</p> <p>Econometric methodologies used to test asset pricing models (Learning Outcome c) Fama and MacBeth cross-sectional regressions, portfolio analysis, time-series regression approach, mimicking portfolio approach.</p> <p>Cross-section of stock returns (Learning Outcome d) Cross-sectional and time-series anomalies, rational explanations, and behavioral explanations</p> <p>Behavioral finance (Learning Outcome d) Efficient market hypothesis, behavioral finance, limits to arbitrage, heuristic biases, frame dependence, and prospect theory</p>

	<p>Most recent development in empirical asset pricing (Learning Outcome e) Published and forthcoming empirical asset pricing papers from top-tier finance, accounting, and finance are selected to student presentations and discussions.</p> <p>How to conduct a good research (Learning Outcome f) Choosing research topics, to write a research paper, and to present a paper</p>																																															
Teaching/Learning Methodology	<p>Lectures, student presentation of assigned papers, and class discussions (aligned with Subject Learning Outcomes a, b, c, d, e, and f. Programme Learning Outcomes 2 and 5) Writing summary reports and term paper (aligned with Subject Learning Outcomes e and f, Programme Learning Outcomes 3)</p>																																															
Assessment Methods in Alignment with Intended Learning Outcomes	<table border="1"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th>e</th> <th>f</th> </tr> </thead> <tbody> <tr> <td>Presentation</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Reports/participation</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Term paper</td> <td>60%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Total</td> <td>100 %</td> <td colspan="6"></td> </tr> </tbody> </table>		Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d	e	f	Presentation	20%	✓	✓	✓	✓	✓	✓	Reports/participation	20%	✓	✓	✓	✓	✓	✓	Term paper	60%	✓	✓	✓	✓	✓	✓	Total	100 %						
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Student Study Effort Expected	Lectures/ Student presentation / class discussions (in- class)	39 Hours																																														
	Assignments reading / self-study	130 Hours																																														
	Writing presentation slides and reports / writing term paper	130 Hours																																														
	• Total student study effort	299 Hours																																														
Reading List and References	<p>Textbook: Cochrane, John, 2005, <i>Asset Pricing</i>, Revised Edition, Princeton University Press, Princeton, New Jersey. (Required Textbook)</p> <p>Lecture notes: Popular empirical asset pricing models and test methodology, cross-section of stock returns, recent new asset pricing models, and behavioral finance</p> <p>List of papers to be presented (to be updated annually): The most recent published or forthcoming papers from top-tier finance, accounting, and finance journals.</p>																																															