



CYPRUS INTERNATIONAL INSTITUTE OF MANAGEMENT

COURSE UNIT DESCRIPTION

Course Unit Title	Behavioural Finance	
Course Unit Code	FB605	
Type of Unit	Elective	
Level of Course Unit	Second cycle	
Year of Study	First/second year	
Semester	On-demand	
Number of ECTS Credits	6.0 ECTS	
Class Contact Hours	28	
Minimum Learning Effort (In Hours)	112	
Course Unit Objectives	Behavioural finance studies the limited rationality of investors, finance professionals, and the financial markets. In particular, the field explores the impact of market-players' bounded rationality and psychological bias on the financial markets and asset prices. The course will introduce selected topics in behavioural finance, underlying the practical implications of the academic research to investors and finance-industry professionals.	
Learning Outcomes	The students completing the course should be able to	
	CILO 1	Familiarize with major failures in the financial decision of private investors and professionals
	CILO 2	Identify cases of market inefficiency (anomalies) related to the bounded rationality or psychological bias of investors and finance professionals
	CILO 3	Increase their in-depth knowledge in finance, connecting to current events, trading strategies, the professional analysis industry, the recent spread of trading platforms and more
Name of Lecturer(s)	Prof. Doron Sonsino	
Mode of delivery	Face to Face	
Prerequisites or co-requisites	Introduction to Finance or an Investments course	
Course Content	<ol style="list-style-type: none"> 1. Introduction: Prospect theory. The multi-dimensionality and context-dependence of attitudes to risk. 2. The equity premium puzzle and myopic loss aversion. Implications for pension savings. 3. The disposition effect: Selling winners too early and riding losers too long. The reach of the disposition effect and domains where it reverses. 4. The unbearable lightness of financial decision: framing effects and mental accounting. Affect. 5. Bubbles and crashes in financial markets. Discussion in light of the 2008 crises. Correlation neglect. 6. Overconfidence and excessive trading. Momentum and contrarian investment strategies. 7. The professional analysis industry. Behavioural bias amongst analysts and consumers of analysts' reports. 	

<p>Recommended or required reading</p>	<p><u>Books and surveys:</u></p> <p>Barberis, Nicholas. "Psychology-based models of asset prices and trading volume." <i>Handbook of behavioral economics: applications and foundations 1</i>. Vol. 1. North-Holland, 2018. 79-175.</p> <p><i>Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investments</i>. Shefrin H. (2002). Oxford University Press.</p> <p>Barberis, N. and Thaler, R. H. (2005). "A Survey of Behavioral Finance", in <i>Advances in Behavioral Finance Vol. II</i>, edited by R. H. Thaler. Princeton University Press. For free download (of a preceding version) visit: http://www.nber.org/papers/w9222</p> <p>Shiller, R. J. (1999). Human behavior and the efficiency of the financial system. <i>Handbook of macroeconomics, 1</i>, 1305-1340.</p> <p><u>Academic papers:</u></p> <p>The list of research papers covered along the course will be posted on Moodle. Pdfs of the most important papers will be uploaded to Moodle.</p>
<p>Planned learning activities and teaching methods</p>	<p>Lectures and discussion, brief (ten minutes) students' presentations of recent academic research.</p>
<p>Assessment methods and criteria</p>	<p>15% - Participation 10% - Brief ten minutes' presentation of a recent research article (to be selected from a closed list that will be distributed when the module begins) 75% - Final assignment</p>
<p>Language of Instruction</p>	<p>English</p>
<p>Work Placement(s)</p>	<p>Not applicable</p>