Behavioral Finance and Asset Pricing

(VL + UE, 4 SWS, 6 SP)

This course introduces the students to the behavioral finance view on asset pricing. The first part of the course takes a historical perspective on development of securities markets. The second part discusses the foundations of the efficient market hypothesis which is the basis for the traditional "rational" view on asset pricing. The third and fourth parts focus on theoretical and empirical challenges facing the efficient market hypothesis and consider the alternative "behavioral" interpretations of the pricing of securities. The specific topics include noise trading, investor sentiment, limits to arbitrage, overreaction and underreaction to news, excess volatility, return predictability, market booms and busts, institutional trends in market development.

Prerequisite:	Grundlagen der Finanzwirtschaft I and Grundlagen der Finanzwirtschaft II
Textbook:	Shiller, R. J.: *"Irrational Exuberance"*, Princeton University Press, 3rd Edition (2015)
	Shleifer, A.: *"Inefficient Markets: An Introduction to Behavioral Finance"*, Oxford University Press (2000)
	Barberis, N. and Thaler, R. H.: *"A Survey of Behavioral Finance"*, Handbook of the Economics of Finance, Amsterdam: North-Holland (ed. G. Constantinides, M. Harris, and R. Stulz, 2003)
Evaluation:	written exam (60 min)