I. Course Objective

The aim is for each student to produce a paper that would be a plausible submission to the *Journal of Finance*.

II. Contact Information

Office: 95 Wohlers Hall  
Office Hours: Monday and Wednesday, 2:30-3:20 PM or by appointment  
Phone: (217) 265-0565  
Fax: (217) 244-3102  
Email: poteshma@uiuc.edu  
Web Page: [http://www.business.uiuc.edu/poteshma](http://www.business.uiuc.edu/poteshma)  
Course Home Page: [http://www.business.uiuc.edu/poteshma/Teaching/Fin455Fall2003/HomePageFall2003.htm](http://www.business.uiuc.edu/poteshma/Teaching/Fin455Fall2003/HomePageFall2003.htm)

III. Prerequisite

Finance 400 or permission of instructor. This is a research course aimed at finance Ph.D. students. Ph.D. students from other departments are welcome provided that they have either completed Finance 400 or obtained my permission.

IV. Course Readings

We may not cover all of the papers on this list, and we may cover some papers that are not on this list. These papers can be downloaded from the web as pdf files. I have listed the web site after each article, often using the following symbols:
A. Stock Returns


B. Derivatives


V. Course Requirements and Grading

The requirements for this course are (1) a brief written response to each assigned reading, (2) active class participation, (3) two in-class presentations of research ideas – one on the stock market and one on the option market, (4) a portfolio of research ideas, (5) a research paper that may be written individually or with one other person, and (6) presentation of the research paper in a seminar type setting.

Brief Written Response: A written response to each assigned reading should be emailed to me no later than two hours before the beginning of the class period in which it will be discussed. The maximum length for the response to each paper is two double-spaced pages using 12 point font and one inch margins. The first page of the response should include a summary of the paper’s main results, arguments, and/or methods. The second page of the response should contain a research idea that is related in some way to the paper. It should also contain two grades (A-F) for the research idea. The first grade is for the potential marginal contribution of the idea and the second grade is for its feasibility. For this part of the course you will be assessed primarily on the accuracy of your grades, not the quality of your research ideas. The emphasis here is on generating a lot of ideas and accurately judging their promise.

Class Participation: You are expected to contribute to class discussion regularly.

In-Class Presentations of Research Ideas: We will spend two class sessions on presentations of research ideas, one after we are done with the readings on the stock market and one near the end of the readings on the option market. For the first session you will give a short presentation (using overhead slides) on a research idea related to the stock market. For the second session you will give a presentation on a research idea related to the option market. You should plan on the presentations lasting approximately $n/160$ minutes where $n$ is the number of students registered for the class.

Portfolio of Research Ideas: You must turn in a portfolio of your research ideas at the time that the University schedules the final exam for this class. The portfolio should contain your written response to each of the papers that we covered in class (including the self-assigned grades for the research ideas). We will discuss your research ideas during class, and you are encouraged to modify your research ideas and your grading of them as a result of the feedback you receive. You must indicate your top three research ideas, and your portfolio will be graded primarily on their quality (i.e., potential marginal contribution and feasibility.)

Research Paper/Presentation: The paper must be presented in a seminar-type setting during fall semester 2004. The paper is due on December 10, 2004. You may write the paper individually or with one co-author. The same standard will be applied to single-authored and to co-authored papers. I urge you to consult with me while formulating and executing your project.
The plus/minus system will be used when assigning final course grades. The course grades will be determined using the following weights:

<table>
<thead>
<tr>
<th>Grade Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Responses</td>
<td>10%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>In-Class Presentations</td>
<td>15%</td>
</tr>
<tr>
<td>Portfolio of Research Ideas</td>
<td>15%</td>
</tr>
<tr>
<td>Research Paper/Paper Presentation</td>
<td>50%</td>
</tr>
</tbody>
</table>

VI. Academic Integrity

You are responsible for knowing and abiding by the “Code of Policies and Regulations Applying to All Students.” The code is available at http://www.uiuc.edu/admin_manual/code/. In particular, any violation of academic integrity as spelled out in Rule 33 of the code (available at http://www.uiuc.edu/admin_manual/code/rule_33.html) will be pursued according to the specified procedures.

VII. Writing

We may spend some class time working on writing.

VIII. Syllabus

This syllabus is available at the following URL:

http://www.business.uiuc.edu/poteshma/Teaching/Fin455Fall2003/Fin455SyllabusFall2003.pdf