mlsmm2124
2022

Behavioural Finance

5.00 credits	30.0 h	Q2

Teacher(s)	De Winne Rudy ;
Language :	French
Place of the course	Mons
Main themes	• Economic Foundations of Neoclassical Finance • Foundations of Behavioural Science • Investor behaviour and bias in financial decisions
Learning outcomes	**At the end of this learning unit, the student is able to :** 1 • Understand complexity in decision-making, the distinction between the reality of a situation and perception • Understand both the rational aspects of decision-making according to the classical finance approach and behavioral biases • Explain certain behavioral biases in investment decisions
Evaluation methods	• Written exam (June) / Oral exam (August) • A part of the final grade may be based on individual / group assignments
Teaching methods	• Usual and flipped classrooms (based on videos to be seen before coming in the classroom) • Simple computerized experiments will be organized in order to illustrate several concepts
Content	**Chapter 1: Course content and goals** • What is behavioral finance? BF versus Traditional Finance (TF)? • How do we make decisions? Are they rational? Rational preferences? **Chapter 2: Foundations of finance and limitations** • Uncertainty, Risk, Expected Utility Theory and Risk attitude • Diversification, CAPM and Market Efficiency • Allais' Paradox and Prospect Theory **Chapter 3: Judgement and decisions biases** • Biases and heuristics • Biases in Decision-Making **Chapter 4: Well-known Biases and Mistakes in Finance** • Disposition effect, Attention Bias and Excessive Trading • Diversification and Home Bias • Market Sentiment and Limits to Arbitrage **Chapter 5 : Research methods** • Experiments: What? Why? How? • Classification and design + Analysis of experimental data
Bibliography	• Daniel Kahneman, Thinking, Fast and Slow, Penguin Books, 2011. • Daniel Kahneman, Paul Slovic & Amos Tversky, Judgement under Uncertainty: Heuristics and Biases, Cambridge University Press, 1982 • Richard Thaler & Cass Sunstein, Nudge : Improving Decisions About Health, Wealth, and Happiness, Penguin Books, 2009 • Itzhak Venezia, Lecture Notes in Behavioral Finance, World Scientific Publishing, 2018
Other infos	If possible, students are requested to bring a device allowing an internet connection (tablet, smartphone or laptop). You will need this device to access the 'app' specifically developped to boost interaction in this course and to replicate several scientific experiments.
Faculty or entity in charge	CLSM

Program title	Acronym	Credits	Prerequisite	Learning outcomes
Programmes containing this learning unit (UE)				
Master [120] in Management	GESM2M	5		🔍
Master [120] in Business Management	GENT2M	5		🔍
Master [120] : Business Engineering	INGE2M	5		🔍
Master [120] in Management	GEST2M	5		🔍
Master [120] : Business Engineering	INGM2M	5		🔍