

BUSI 5580
Seminar in Finance I: Topical issues in Investments
FALL 2025

Instructor	Dr. Shi Li
Email Address	Shi.Li@carleton.ca
Class Times	Thursday 11:35 am - 2:25 pm
Modality	Online
Office Hours	TBD
Office Location	6033 NI
TA Name/Email	N/A

Pre-Requisites & Preclusions:

Prerequisites: Graduate-level finance courses or permission of the School.

Preclusions: Also offered, with different requirements, as BUSI 6500, for which additional credit is precluded.

Course Description/Instructor's Statement

Carleton Calendar Description

Selected topics in financial theory. Topics chosen according to new developments in theory and with the interests of the students in mind and may include theory of derivatives, pricing theory, information asymmetries, agency theory, economic efficiency, and empirical methods.

Instructor's Description:

This seminar provides an in-depth exploration of key topics in empirical asset pricing and investment theory. Students will critically engage with influential journal articles, present and discuss recent academic work, and develop ideas for their own research agendas. Throughout the course, we will examine areas such as factor models, return predictability, anomalies, market efficiency, and climate finance. Emphasis will be placed on empirical identification strategies, research design, and academic presentation. The seminar is designed to help students build the foundation necessary for conducting high-quality research in financial economics and for succeeding in their comprehensive exams and dissertation work.

The course will be conducted as a seminar in which students present academic articles to the class, and students discuss elements of those papers with the course instructor and amongst themselves.

Course Learning Objectives:

1. Present and explain key academic papers in empirical asset pricing, demonstrating a deep understanding of their motivation, methodology, and contribution to the literature.

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2. Critically evaluate existing research with attention to theoretical framing, empirical design, identification strategies, and robustness of findings.
3. Design an empirical research project, including hypothesis development, dataset selection, variable construction, and econometric approach.
4. Engage constructively in academic discussion, providing thoughtful feedback on peers' presentations and preliminary research ideas.
5. Prepare for future scholarly work, including comprehensive exams, dissertation research, and conference participation.

Required/Optional Materials & Prices

Students are not required to purchase textbooks or other learning materials for this course. While no textbook is specified for this course, students will find the following useful and they are encouraged to review them:

Financial Theory and Corporate Policy
- Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri; 4th edition; Pearson, 2003
- $166.7 at Amazon.ca
- Hardcopy
- ISBN-10: 0321127218; ISBN-13: 978-0321127211
- Second-hand copies are permitted

Econometric Analysis of Cross-Section and Panel Data
- J. M. Wooldridge; 2nd edition; The MIT Press; 2000.
- $176
- Hardcopy
- ISBN-10: 0262232588; ISBN-13: 978-0262232586
- Second-hand copies are permitted

The Econometrics of Financial Markets
- J. Y. Campbell, A. W. Lo, and A. C. Mackinlay; 2nd edition; Princeton University Press; 1996
- $128
- Hardcopy
- ISBN-10: 0691043019; ISBN-13: 978-0691043012
- Second-hand copies are permitted

ASSET PRICING
- John H. Cochrane; Revised edition; Princeton University Press; 2005
- $111
- Hardcopy
- ISBN-10: 0691121370; ISBN-13: 978-0691121376
- Second-hand copies are permitted

The course is based on assigned articles from selected topics in finance. Students are required to obtain copies of each article and to familiarize themselves with them prior to the relevant class. Students are encouraged to use the books listed above as supplemental readings to enable them to understand the material in the assigned articles and to help them present salient issues from the articles to the class.

In addition to the assigned articles and suggested texts, students are encouraged to read relevant papers from the leading finance journals including Journal of Finance, Journal of

Financial Economics, Journal of Accounting and Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Financial Management, Financial Analysts Journal, Journal of Corporate Finance, Journal of Portfolio Management and the likes for their chosen research topic. Useful web sites are: www.ssrn.com, www.jstor.org. The following can be used to source articles: https://scholar-google-ca.proxy.library.carleton.ca

Please purchase the textbook(s) from the campus bookstore in Nideyinàn (formerly the University Centre) or through the bookstore website: https://carleton.ca/campus-services/the-bookstore/.

Grading Scheme

Weekly presentations	30
Class participation	30
Written analysis of a research theme	20
Oral presentation of the research theme to the class	20
TOTAL	100%

Additional Information on Deliverables and Grading
Each component of your grade will be assigned a percentage score. Your final course grade will be a weighted average of each of these components.

- The **weekly presentations** require each student to conduct an in-depth review of one article that is agreed upon in the preceding class, and to present salient issues relating to the article to the class using PowerPoint. While there may be exceptions, generally, each presentation should include the following sections: introduction, literature review, hypotheses development, methodology, main research results, and conclusion. A copy of the PowerPoint presentation should be emailed to the instructor and classmates **at least one day before class begins**.
- **Class participation** requires each student to have some familiarity with the articles being presented *in addition to* their own so that they can present ideas and ask constructive questions.
- The **research theme** requires each student to select a research topic that is of interest to him/her and to explore it in depth. Students are to review the current thinking on that topic and to raise a novel research question that can be used to advance the finance literature. The **written component** will involve a review of the current literature, discussions of outstanding issues pertaining to the chosen topic, suggestion of testable hypotheses and empirical design, and proposals for the methodology and the statistical tests that could be used to test the hypotheses. Research proposal should be submitted to the dropbox on Brightspace or emailed to me by **12:00 AM on Nov. 24** (right after 11:59 PM on Nov. 23). The **oral component** requires students to explain their work using a PowerPoint presentation.

Policies & Accommodations

https://students.carleton.ca/course-outline/
https://carleton.ca/pmc/current-students/academic-accommodations/

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Late Assignments:

To ensure fairness for all students, penalties will be applied to late assignments: Failure to submit an assignment on time will result in an initial penalty of five (5) percentage points, followed by an additional (2) percentage points per day thereafter. For example, an assignment that would normally merit a grade of 80% would receive a grade of 75% if submitted after the deadline on the due date, 73% if submitted the following day, and so on. Requests for extension will be considered in cases of illness, family emergency, or other exceptional circumstances.

Preparation and Participation:

Students are responsible for preparing a high-quality in-depth review of articles assigned to them, and reasonable knowledge of all other articles to contribute constructively to in class discussions. Attendance is essential.

Contribution to Program Learning Goals (MBA):

MBA Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MB1 Leadership and Collaboration *Graduates will be equipped for leadership and collaboration.*		✓		
MB2 Communication *Graduates will be effective communicators*				✓
MB3 Critical Thinking and Problem Solving *Graduates will be skilled in critical thinking and problem solving.*				✓
MB4 Functional Knowledge *Graduates will have functional knowledge of all areas of business.*				✓
MB5 Global Business *Graduates will have an appreciation of the global*				✓

environment of business.				
MB6 Ethical Reasoning *Graduates will be skilled in ethical reasoning and decision-making.*				✓

COURSE SCHEDULE

Week	Session	Date	Topic/Agenda	Note
1	1	Sept. 4	Introductory class	Read through the course outline prior to the first class
2	2	11	Asset Pricing Models and Tests	
3	3	18	Time-Series Variation in Expected Returns and Return Predictability	
4	4	25	Market Anomalies	
5	5	Oct. 2	Mutual funds, Hedge Funds and ETFs	
6	6	9	Climate Finance	
7	7	16	International Finance	
8	**Reading Week – No Class**			
9	8	30	Corporate Bonds and Credit Risk	
10	9	Nov. 6	Options	
11	10	13	Fx and the carry trade	
12	11	20	Individual consultations with course instructor	Consultation should be scheduled prior to this date
13	12	27	In-Class presentation of your research themed	Research proposal due at 12:00 AM on Nov. 24 (right after 11:59 PM on Nov. 23)

The following is a tentative list of articles to be discussed:

Asset Pricing Models and Tests

1. Acharya, V. V. and L. H. Pedersen, 2005, Asset pricing with liquidity risk, Journal of Financial Economics 77, 375-410.
2. Adrian, T., E. Etula, and T. Muir, 2014. Financial Intermediaries and the Cross-Section of Asset Returns. Journal of Finance 69, 2557-2596.
3. Amihud, Y., and H. Mendelson, 1986, Asset Pricing and the Bid-Ask Spread, Journal of Financial Economics 17, 223-249.
4. Amihud, Y., Mendelson, H., and Pedersen, L. H., 2005, Liquidity and Asset Prices, Foundations and Trends in Finance 14, 269.
5. Chen, L., Pelger, M. and Zhu, J., 2023. Deep learning in asset pricing. Management Science.
6. Black, F., M. Jensen, and M. Scholes, 1972, The Capital Asset Pricing Model: Some Empirical Tests, in Studies in the Theory of Capital Markets, ed. M. Jensen (Praeger), 79-112.

7. Fama, E., and J. MacBeth, 1973, Risk, Return and Equilibrium: Empirical Tests, Journal of Political Economy 91, 607-636.

8. Gibbons, M. R., Stephen A. R., and J. Shanken. 1989. A test of the efficiency of a given portfolio. Econometrica 57, 1121-I 152.

Time-Series Variation in Expected Returns and Return Predictability

1. Campbell, J. Y., and R. J. Shiller, 1988. The dividend-price ratio and expectations of future dividends and discount factors. Review of Financial Studies 1, 195–228. One of the early papers establishing connections between time-series stock return predictability and stock price volatility

2. Cochrane, J. H., 1999. New facts in finance. Economic Perspectives, Federal Reserve Bank of Chicago 23(3): 36–58. A review of both time-series and cross-sectional variation in expected returns. Cochrane's (2004) textbook "Asset Pricing."

3. Fama, E. F., and K. R. French, 1988. Permanent and temporary components of stock prices. Journal of Political Economy 96, 246–273. Document that past returns forecast future returns at long horizons.

4. Fama, E. F., and K. R. French. 1989. Business conditions and expected returns on stocks and bonds. Journal of Financial Economics 25, 23–49. Summary of the vast work on time variation of expected stock returns.

5. Lettau, M., and S. Ludvigson, 2001. Consumption, aggregate wealth, and expected stock returns. Journal of Finance 56, 815–849. The ratio of consumption to wealth, cay.

6. Welch, I. and Goyal, A., 2008. A comprehensive look at the empirical performance of equity premium prediction. The Review of Financial Studies, 21(4), pp.1455-1508.

7. Martin, What is the Expected Return on the Market?, The Quarterly Journal of Economics, Volume 132, Issue 1, February 2017, Pages 367–433.

Market Anomalies

1. Ang, A., R.J. Hodrick, Y. Xing, and X. Zhang, 2006, The Cross-Section of Volatility and Expected Returns, Journal of Finance 61, 259–299
2. Da, Z., J. Engelberg, and P. Gao, 2011, In Search of Attention, Journal of Finance 66, 1461-1499
3. Daniel, K., and S. Titman, 1997, Evidence on the characteristics of cross-sectional variation in stock returns, Journal of Finance 52, 1-33
4. De Bondt, W. and Thaler, R., 1985. Does the stock market overreact?, Journal of Finance 40, 793-805.
5. Diether, K.B., J.M. Christopher, and A. Scherbina, 2002, Differences in Opinion and the Cross Section of Stock Returns, Journal of Finance 57, 2113–2140
6. Fama E. F. and K. R. French 1996, Multifactor Explanations of Asset Pricing Anomalies, Journal of Finance 51, 55-84.
7. Fama, E. F., and K. R. French 2006, Dissecting Anomalies, *Journal of Finance* 63, 1653-1678.

Mutual funds, Hedge Funds and ETFs

1. Chen, J., H. Hong, M. Huang, and J. Kubik, 2004, Does fund size erode mutual fund performance? The role of liquidity and organization, American Economic Review 94, 1276-1302
2. Cremers, M., and A. Petajisto, 2009, How active is your fund manager? A new measure that predicts performance, Review of Financial Studies 22, 3329-3365

3. Fama, E., 1998, Market efficiency, long-term returns, and behavioral finance, Journal of Financial Economics 49, 283-306.
4. Jiang, H., and Z. Sun, 2014, Dispersion in Beliefs among Active Mutual Funds and the Cross-Section of Stock Returns, Journal of Financial Economics 114, 341-365
5. Kacperczyk, M., S.V, Nieuwerburgh, and L. Veldkamp, 2014, Time-varying fund manager skill. Journal of Finance 69, 1455-1484

Climate Finance

1. Baker, M., Bergstresser, D., Serafeim, G. and Wurgler, J., 2022. The pricing and ownership of US green bonds. Annual Review of Financial Economics
2. Pástor, Ľ., Stambaugh, R.F. and Taylor, L.A., 2022. Dissecting green returns. Journal of financial economics, 146(2), pp.403-424.
3. Bolton, P. and Kacperczyk, M., 2021. Do investors care about carbon risk?. Journal of financial economics, 142(2), pp.517-549.
4. Baker, M., Bergstresser, D., Serafeim, G. and Wurgler, J., 2018. Financing the response to climate change: The pricing and ownership of US green bonds (No. w25194). National Bureau of Economic Research.
5. Seltzer, L.H., Starks, L. and Zhu, Q., 2022. Climate regulatory risk and corporate bonds (No. w29994). National Bureau of Economic Research.

International Finance

1. Asness, C. S., Moskowitz, T. J. and Pedersen, L. H., 2013. Value and Momentum Everywhere. Journal of Finance, 68: 929–985. The latest on value and momentum, and how they are correlated across countries and asset classes. New 3-factor model, the factors are global this time.
2. Fama, E. F., & French, K. R. (2017). International tests of a five-factor asset pricing model. Journal of Financial Economics, 123(3), 441-463.
3. Fama, E. F., and K. R. French, 2012. Size, value, and momentum in international stock returns. Journal of Financial Economics 105, 457–472.

Corporate Bonds and Credit Risk

1. Cochrane, J.H. and Piazzesi, M., 2005. Bond risk premia. American economic review, 95(1), pp.138-160.
2. Lin, H., J. Wang, and C. Wu, 2011, Liquidity risk and expected corporate bond returns, Journal of Financial Economics 99, 628-650.
3. Leland, H. E., 1994. Corporate Debt Value, Bond Covenants, and Optimal Capital Structure, Journal of Finance 49, 1213-1252.
4. Robert A. J., 2009, Credit Risk Models, Annual Review of Financial Economics 1,37 -68. (review paper; optional)
5. Eom, Y. H., J. Helwege and J. Huang, 2004, Structural models of corporate bond pricing: An empirical analysis, Review of Financial Studies 17, 499-544.

Options

1. Bakshi, G., C. Cao, and Z. Chen, 1997. Empirical Performance of Alternative Option Pricing Models, Journal of Finance 52, 2004-49.
2. Das, S. and R. Sundaram, 1999. Of Smiles and Smirks: A Term Structure Perspective, Journal of Financial and Quantitative Analysis 34, 60-72.
3. Garman, M., and S. Kohlhagen, 1983. Foreign Currency Option Values, Journal of International Money and Finance 2, 231-37.

4. Heston, S., 1993. A Closed Form Solution for Options with Stochastic Volatility with Applications to Bond and Currency Options, Review of Financial Studies 6, 327-43.
5. Hull, J. and A. White “The Pricing of Options on Assets with Stochastic Volatilities”, Journal of Finance 42: 281-300.

Fx and the carry trade

1. Bekaert, G., Wei, M. and Xing, Y., 2007. Uncovered interest rate parity and the term structure. Journal of International Money and Finance, 26(6), pp.1038-1069.
2. Chernov, M., Graveline, J. and Zviadadze, I., 2018. Crash risk in currency returns. Journal of Financial and Quantitative Analysis, 53(1), pp.137-170.
3. Koijen, R.S., Moskowitz, T.J., Pedersen, L.H. and Vrugt, E.B., 2018. Carry. Journal of Financial Economics, 127(2), pp.197-225.
4. Bruno, V. and Shin, H.S., 2017. Global dollar credit and carry trades: a firm-level analysis. The Review of Financial Studies, 30(3), pp.703-749.
5. Brunnermeier, M.K., Nagel, S. and Pedersen, L.H., 2008. Carry trades and currency crashes. NBER macroeconomics annual, 23(1), pp.313-348.

ADDITIONAL INFORMATION

Course Sharing Websites:

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Recommended Calculator for Examinations:

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group Work:

The Sprott School of Business encourages group assignments. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Letter Grades:

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

Grades entered by Registrar:

WDN = Withdrawn from the course
DEF = Deferred

Academic Regulations:

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:
https://calendar.carleton.ca/grad/gradregulations/

Requests for Academic Accommodation:

Carleton is committed to providing academic accessibility for all individuals. You may need special arrangements to meet your academic obligations during the term. The accommodation request processes, including information about the Academic Consideration Policy for Students in Medical and Other Extenuating Circumstances, are outlined on the Academic Accommodations website (students.carleton.ca/course-outline).

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

- **Pregnancy**
  Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

- **Religious Obligations**
  Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

- **Students with Disabilities**
  If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. https://carleton.ca/pmc/

- **Survivors of Sexual Violence**
  As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: https://carleton.ca/sexual-violence-support/

- **Student Activities**
  Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf

For more information on academic accommodation, please contact the departmental administrator or visit: https://students.carleton.ca/course-outline/

Academic Integrity:

Violations of academic integrity—presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student—are a serious academic offence, weaken the quality of the degree, and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: https://carleton.ca/registrar/academic-integrity/

Centre for Student Academic Support:

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: https://carleton.ca/csas/

Other Important Information:

- Students must always retain a copy of all work that is submitted.
- All final grades are subject to the Dean's approval.
- For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton cmail account. If you do not have or have yet to activate this account, you can do so by visiting https://carleton.ca/its/get-started/new-students-2/