ECON3034
Financial Econometrics
Session 1, Special circumstances 2021

Department of Economics

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Notice
As part of Phase 3 of our return to campus plan, most units will now run tutorials, seminars and other small group activities on campus, and most will keep an online version available to those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face activities for your unit, please go to timetable viewer. To check detailed information on unit assessments visit your unit’s iLearn space or consult your unit convenor.
General Information

Unit convenor and teaching staff
Unit Convenor
Lance Fisher
lance.fisher@mq.edu.au
Contact via 9850-8480
4 EaR 410
TBA

Teaching Assistant
Stephanie Brooks
stephanie.brooks@mq.edu.au
Contact via TBA

Credit points
10

Prerequisites
90cp at 1000 level or above including ECON241 or ECON2041 or STAT272 or STAT2372

Corequisites

Co-badged status

Unit description
This unit is highly recommended for students majoring in economics and finance. Finance professionals use econometric techniques in portfolio management, risk management and securities analysis. This unit is intended to provide students with the tools necessary for financial applications. Statistical techniques are developed within the context of particular financial applications. Recent empirical evidence is also discussed. Although ECON2032 is not a prerequisite, it is highly recommended.

Important Academic Dates
Information about important academic dates including deadlines for withdrawing from units are available at https://students.mq.edu.au/important-dates

Learning Outcomes
On successful completion of this unit, you will be able to:

ULO1: Apply econometric methods to modelling, analysing and forecasting financial data.
ULO2: Demonstrate and explain different estimation methodologies.
ULO3: Critically evaluate empirical econometric work.
ULO4: Present results based on financial econometric analysis, to a non-technical audience, in a clear and understandable manner.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class test</td>
<td>30%</td>
<td>No</td>
<td>Week 7 during lecture time</td>
</tr>
<tr>
<td>Assignment</td>
<td>30%</td>
<td>No</td>
<td>Week 10 Thursday 4pm</td>
</tr>
<tr>
<td>Final examination</td>
<td>40%</td>
<td>No</td>
<td>University's Formal Examination Period</td>
</tr>
</tbody>
</table>

Class test
Assessment Type 1: Quiz/Test
Indicative Time on Task 2: 15 hours
Due: Week 7 during lecture time
Weighting: 30%

The class test will be held online during the week 7 lecture time. The test will consist of multiple-choice questions, and will cover all material up to and including Week 5.

On successful completion you will be able to:
  • Apply econometric methods to modelling, analysing and forecasting financial data.
  • Demonstrate and explain different estimation methodologies.

Assignment
Assessment Type 1: Quantitative analysis task
Indicative Time on Task 2: 28 hours
Due: Week 10 Thursday 4pm
Weighting: 30%

A series of short answer questions exploring various aspects of Financial Econometrics.

On successful completion you will be able to:
  • Critically evaluate empirical econometric work.
  • Present results based on financial econometric analysis, to a non-technical audience, in a clear and understandable manner.
Final examination

Assessment Type: Examination
Indicative Time on Task: 30 hours
Due: University's Formal Examination Period
Weighting: 40%

A two-hour open book examination will be held during the University Examination Period, and will consist of multiple-choice and short-answer questions. Computer outputs and statistical tables will be provided.

On successful completion you will be able to:

• Demonstrate and explain different estimation methodologies.
• Critically evaluate empirical econometric work.

1 If you need help with your assignment, please contact:
• the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
• the Learning Skills Unit for academic skills support.

2 Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

Delivery and Resources

The prescribed textbook for the unit is:

In addition to the textbook, the following references are useful but are not required.

• Material such as lecture slides, examples, and tutorial questions will be available on the unit home page. The text and lecture notes, together with the lectures and additional references will provide students with a clear indication of the basic content of the unit.
• It is recommended that students attend all lectures and tutorials for several reasons including:
Unit Schedule

- Not all the material in the text is included in the unit, and not all the material in the unit is covered in the text. In some places the text deals with issues in greater depth than is necessary for the unit, and in other places it doesn’t go far enough. The lectures contain all the unit material taught at the level required for the assessment tasks, and are your guide to the unit content.
- The approaches to some problems that are recommended by the lecturer are different to those in the text.
- The lectures will include guidance about the style and content of the final exam and recommendation about study technique.
- It is difficult (and often impossible) for staff to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.

Technology Used and Required

Students are required to use a computer to carry out certain tasks of the course, such as tutorials and assignments. The software programs used in this course include EViews 10 and Microsoft Excel.

Unit Web Page

- Course material is available on the learning management system (iLearn), which can be found at: http://ilearn.mq.edu.au.

Unit Schedule

<table>
<thead>
<tr>
<th>Week No.</th>
<th>Lecture Topic</th>
<th>Textbook: 4th or 3rd Edition</th>
<th>Tutorials</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Characteristics of Financial Data; Revision of Basic Mathematical and Statistical Concepts</td>
<td>Chapter 1 and Chapter 2, all sections</td>
<td>Tutorial Week 2</td>
</tr>
<tr>
<td>2</td>
<td>Correlation and Basic Regression Methods</td>
<td>Chapter 3, all sections, excluding the appendix</td>
<td>Tutorial Week 3</td>
</tr>
<tr>
<td>3</td>
<td>Multiple Linear Regression Model</td>
<td>4th Edition Chapter 4, Sections 4.1 to 4.7 inclusive, Section 4.9; or 3rd Edition Chapter 4, Sections 4.1 to 4.8 inclusive, Section 4.10</td>
<td>Tutorial Week 4</td>
</tr>
<tr>
<td>4</td>
<td>Regression Model Diagnostics</td>
<td>4th Edition Chapter 5, all sections, Chapter 10, Sections 10.1 to 10.3 inclusive; or 3rd Edition Chapter 5, all sections, Chapter 10, Sections 10.1 to 10.3 inclusive</td>
<td>Tutorial Week 5</td>
</tr>
<tr>
<td>5</td>
<td>Time Series Models</td>
<td>4th Edition, Chapter 6, Sections 6.1 to 6.5; or 3rd Edition, Chapter 6, Sections 6.1 to 6.5</td>
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<tr>
<td>Week</td>
<td>Topic</td>
<td>Textbook References</td>
<td>Tutorial Week</td>
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<tr>
<td>7</td>
<td>Class Test</td>
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<td>7</td>
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<td></td>
<td><strong>Mid-semester Break</strong></td>
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<tr>
<td>12</td>
<td>Long-Run Relationships in Finance</td>
<td>Textbook: 4th Edition, Chapter 8, Sections 8.1, 8.3 to 8.6.1 inclusive. Lecture Notes; or Textbook: 3rd Edition, Chapter 8, Sections 8.1, 8.3 to 8.7.1 inclusive. Lecture Notes.</td>
<td>12</td>
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### Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- **Academic Appeals Policy**
- **Academic Integrity Policy**

[https://unitguides.mq.edu.au/unit_offerings/137402/unit_guide/print](https://unitguides.mq.edu.au/unit_offerings/137402/unit_guide/print)
Students seeking more policy resources can visit the Student Policy Gateway (https://students.mq.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit Policy Central (https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central).

**Student Code of Conduct**

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/admin/other-resources/student-conduct

**Results**

Results published on platform other than eStudent, (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in eStudent. For more information visit ask.mq.edu.au or if you are a Global MBA student contact globalmba.support@mq.edu.au

**Student Support**

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

**Learning Skills**

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- Getting help with your assignment
- Workshops
- StudyWise
- Academic Integrity Module

The Library provides online and face to face support to help you find and use relevant information resources.

- Subject and Research Guides
Student Enquiry Service
For all student enquiries, visit Student Connect at ask.mq.edu.au
If you are a Global MBA student contact globalmba.support@mq.edu.au

Equity Support
Students with a disability are encouraged to contact the Disability Service who can provide appropriate help with any issues that arise during their studies.

IT Help
For help with University computer systems and technology, visit http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.
When using the University's IT, you must adhere to the Acceptable Use of IT Resources Policy. The policy applies to all who connect to the MQ network including students.