ECON334
Financial Econometrics
S1 Evening 2015
Dept of Economics

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General Information

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Credit points
3

Prerequisites
27cp including (6cp at 200 level including (ECON241 or STAT272))

Learning Outcomes

1. Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
2. Understand different estimation methodologies.

Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at https://students.mq.edu.au/important-dates
3. Critically evaluate empirical econometric work.
4. Present comprehensible results to a non-technical audience.

**Assessment Tasks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment 1</td>
<td>20%</td>
<td>Week 6</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>20%</td>
<td>Week 10</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60%</td>
<td>University Examination Period</td>
</tr>
</tbody>
</table>

**Assignment 1**

Due: **Week 6**

Weighting: **20%**

The assignment is due at **4pm on Thursday of Week 6**. The assignment will be penalised at a rate of 20% per day or part thereof that the assignment is late. For example, if an assignment is late by less than 24 hours, 20% of the final mark will be deducted as penalty; if an assignment is late by more than 24 hours but less than 48 hours, 40% of the final mark will be deducted as penalty. Students are strongly recommended to keep a photocopy of their assignment to ensure against loss. In early Week 6, tutorial boxes designated ECON334 will be prepared in the Business and Economics Student Services (BESS, E4B106) where students can submit their assignments. In addition, students must also submit an electronic copy through iLearn.

This Assessment Task relates to the following Learning Outcomes:

- Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
- Understand different estimation methodologies.
- Critically evaluate empirical econometric work.
- Present comprehensible results to a non-technical audience.

**Assignment 2**

Due: **Week 10**

Weighting: **20%**

The assignment is due at **4pm on Friday of Week 10**. The assignment will be penalised at a rate of 20% per day or part thereof that the assignment is late. For example, if an assignment is late by less than 24 hours, 20% of the final mark will be deducted as penalty; if an assignment is late by more than 24 hours but less than 48 hours, 40% of the final mark will be deducted as penalty. Students are strongly recommended to keep a photocopy of their assignment to ensure
against loss. In early Week 10, tutorial boxes designated ECON334 will be prepared in the Business and Economics Student Services (BESS, E4B106) where students can submit their assignments. In addition, students must also submit an electronic copy through iLearn.

This Assessment Task relates to the following Learning Outcomes:

- Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
- Understand different estimation methodologies.
- Critically evaluate empirical econometric work.
- Present comprehensible results to a non-technical audience.

Final Examination

Due: University Examination Period
Weighting: 60%

A two-hour examination will be held in the final examination period. It will contribute 60% of your final raw score. The final examination will be based on all the work covered throughout the duration of the semester. The exam will include a mixture of theoretical and numerical questions. Students will be provided with further details regarding the exam as it approaches.

Computer outputs and statistical tables are provided. Non-programmable calculators without alphabetic storage capability and an A4 page with hand-written or type-in notes are allowed into the examination room. The time and venue of the exam will be organised and announced in due time by the University.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. [http://exams.mq.edu.au/](http://exams.mq.edu.au/).

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for 'Disruption to Studies'. The University’s policy on Disruption to Studies process is available at [http://www.mq.edu.au/policy/docs/disruption_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html).

If a Supplementary Examination is granted as a result of the Disruption to Studies process the examination will be scheduled after the conclusion of the official examination period.

Important Notes

Your final mark for the course will be based on the weights and raw marks allocated for each assignment or examination. However, your mark may not be the same number as produced by that formula, as scaling of marks may be necessary to obtain an appropriate distribution of grades. The scaling applied will preserve the order of marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be
either up or down.

This Assessment Task relates to the following Learning Outcomes:
• Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
• Understand different estimation methodologies.
• Critically evaluate empirical econometric work.

Delivery and Resources

Classes
• Number and length of classes: 3 hours face-to-face teaching per week consisting of 1 x 2 hour lecture and 1 x 1 hour tutorial
• The timetable for classes can be found on the University web site at:http://www.timetables.mq.edu.au/

Required and Recommended Texts and/or Materials
The prescribed text for the unit is:

It can be purchased from the Macquarie University Co-op Bookshop, and it is also available in the Macquarie Library. Additional, useful but not required, references include:


• 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:

 o 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.

 o The approaches to some problems that are recommended by the lecturer are different to those in the text.

 o 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 8.0 and Microsoft Excel. Students do not have to use EViews 8.0 to perform their tutorial and assignment tasks if they are familiar with other programs, but discussions in the lectures and tutorials, as well as in the test and examination questions will be based on output that is produced using EViews.

**Unit Web Page**

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

- The following information will be available on iLearn:
  - Unit Guide
  - Announcements
  - Lecture slides
  - Selected tutorial solutions
  - Information on Assessments
  - Staff consultation hours and contact details
  - Other relevant material

You are strongly encouraged to regularly visit the website and use it as a resource centre to assist with your learning. If you are unable to access the website because you are not aware of or have forgotten your username and password, please contact the IT helpdesk located on Level 1 of the Library on 9850 6500. The IT helpdesk will also be able to assist you with using iLearn. Please remember to log out when you have finished using iLearn. Failure to do so could result in unauthorised access to your account.

**Learning and Teaching Activities**

This unit is taught as a mix of tutorials and lectures. The lectures are designed to provide the tools which can then be applied in tutorials. Tutorials are based mainly on empirical applications which require the use of econometric software packages. How to use these packages is taught in tutorials which are held in the computer labs.

- Lectures – large group learning (2 hour each teaching week)
- Self-study activities – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess)
- Tutorials – small group learning (1 hour each teaching week)
Unit Schedule

The list below is a proposed study plan, but this may be modified as we progress through the semester to allow us to take more or less time with different sections of the course as required.

<table>
<thead>
<tr>
<th>Week No.</th>
<th>Lecture Topic</th>
<th>Tutorials</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Understanding Financial Data &amp; Revision of Basic Statistical and Mathematical Concepts</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Review: Measuring Dependence</td>
<td>Tutorial Week 2</td>
</tr>
<tr>
<td>3</td>
<td>Review: Multiple Linear Regression Model</td>
<td>Tutorial Week 3</td>
</tr>
<tr>
<td>4</td>
<td>Review: Regression Model Diagnostics</td>
<td>Tutorial Week 4</td>
</tr>
<tr>
<td>5</td>
<td>Time series models</td>
<td>Tutorial Week 5</td>
</tr>
<tr>
<td>6</td>
<td>Time series models</td>
<td>Tutorial Week 6</td>
</tr>
<tr>
<td></td>
<td>Assignment 1 due Thursday 4pm at BESS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MID-SEMESTER BREAK</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Model Identification Tools</td>
<td>Tutorial Week 7</td>
</tr>
<tr>
<td>8</td>
<td>Forecasting in Econometrics</td>
<td>Tutorial Week 8</td>
</tr>
<tr>
<td>9</td>
<td>Modelling Volatility</td>
<td>Tutorial Week 9</td>
</tr>
<tr>
<td>10</td>
<td>Models with Trend</td>
<td>Tutorial Week 10</td>
</tr>
<tr>
<td></td>
<td>Assignment 2 due Friday 4pm at BESS</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Long-Run Relationships in Finance</td>
<td>Tutorial Week 11</td>
</tr>
<tr>
<td>12</td>
<td>Multivariate Models</td>
<td>Tutorial Week 12</td>
</tr>
<tr>
<td>13</td>
<td>Review</td>
<td>Tutorial Week 13</td>
</tr>
</tbody>
</table>

Learning and Teaching Activities

Lectures - large group learning (2 hour each teaching week)

Lectures are intended to provide an overview of statistical and econometrics techniques that are critical to the core themes of the unit. Students are expected to read the relevant chapters before each lecture. Additional reading material such as academic papers and research reports will be provided on the website.
Self-study activities - learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess)

ECON334 relies heavily on independent learning where students read the relevant chapter, revise the lecture notes, prepare answers to the pre-set tutorial questions and extend themselves by doing additional reading, questions, exercises and problems.

Tutorials - small group learning (1 hour each teaching week)

Tutorials constitute a critical learning experience of this unit and students must attend them. The tutor will facilitate a highly student-centred discussion of answers to pre-set tutorial questions. A tutorial is also an active forum to present difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected to complete the tutorials empirical work and attempt the tutorial questions before each tutorial.

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central. Students should be aware of the following policies in particular with regard to Learning and Teaching:


In addition, a number of other policies can be found in the Learning and Teaching Category of 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/support/student_conduct/](https://students.mq.edu.au/support/student_conduct/)

Results

Results shown in iLearn, 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](http://ask.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 improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

Student Enquiry Service
For all student enquiries, visit Student Connect at ask.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://informatics.mq.edu.au/help/.

When using the University’s IT, you must adhere to the Acceptable Use Policy. The policy applies to all who connect to the MQ network including students.

Graduate Capabilities

Discipline Specific Knowledge and Skills
Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

Learning outcomes

- Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
• Understand different estimation methodologies.
• Critically evaluate empirical econometric work.

**Assessment tasks**

• Assignment 1
• Assignment 2
• Final Examination

**Critical, Analytical and Integrative Thinking**

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

**Learning outcomes**

• Apply financial econometric tools to modeling, estimation, inference and forecasting of financial data.
• Understand different estimation methodologies.
• Critically evaluate empirical econometric work.

**Assessment tasks**

• Assignment 1
• Assignment 2
• Final Examination

**Effective Communication**

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

**Learning outcome**

• Present comprehensible results to a non-technical audience.

**Assessment tasks**

• Assignment 1
This unit uses research by Macquarie University researchers as follows:


This unit uses research from external sources (as referenced in the textbook)

This unit gives you practice in applying research findings in your assignments

This unit gives you opportunities to conduct your own research