

## **MSc Banking and Finance**

### **Reading List 2016-17**

#### **Core Texts**

Please note a further detailed reading list will be provided by the module leader at the start of each module.

#### **Semester 1**

##### **1) 7SSMM700 – Quantitative Methods for Finance**

- Brooks, C. (2014). Introductory Econometrics for Finance, third edition. Cambridge University Press, Cambridge.
- Woodridge, J (2014) Introductory Econometrics: A Modern Approach, fourth edition. Cengage Learning.
- Greene, William H. (2012, 7th ed.) Econometric Analysis. Prentice Hall.

##### **2) 7SSMM701 – Investments**

- Brealey R. and S. Meyers (2014), Principles of Corporate Finance, Last Edition, McGraw Hill.
- Bodie Z., Kane A. and A. J. Marcus (2015), Investments, Last Edition, McGraw Hill. CFA Institute (2014), Standards or Practice Handbook, Eleventh Edition,
- CFA Institute. Copeland T.E. and J.F. Weston (2000), Financial Theory and Corporate Policy, Addison-Wesley.
- DeFusco, R., McLeavey, D., Pinto, J., Runkle, D., Anson, M. (2016), Quantitative Investment Analysis, Third Edition, Wiley

##### **3) 7SSMM702 – Commercial and Investment Banking**

- Casu, B., Girardone, C., Molyneux, P., (2015). Introduction to Banking, second edition. Pearson Higher Education.
- Heffernan, S., (2005). Modern Banking. John Wiley and Sons.
- Hull, J., (2015). Risk Management and Financial Institutions, fourth edition. John Wiley and Sons.

##### **4) 7SSMM703 – Financial Statements**

- Principles of Managerial Finance, by Lawrence J. Gitman, Pearson International Edition, Brief Fifth Edition, 2009, ISBN: 0321566556
- Understanding Financial Statements, by Lyn M. Fraser and Aileen Ormiston, Pearson International Edition, Ninth Edition, 2010, ISBN: 0138153272

## Semester 2

### 1) 7SSMM704 Financial Derivatives

- Boyle, P & McDougall, J. (2015). Trading and Pricing Financial Derivatives: A Guide to Futures, Options, and Swaps. CreateSpace, Charleston USA.
- Hull, J. (2014). Options, Futures, and Other Derivatives (9th Edition). Prentice Hall, USA.

### 2) 7SSMM705 Asset Pricing

- Hull, J. (2011), "Options, futures and other derivatives", 8th edition, Pearson Education.
- Bodie Z., A. Kane and A.J. Marcus (2011), Investments and Portfolio Management, 9th edition, McGraw-Hill Irwin.
- Ang, A. (2014), Asset Management: A Systematic Approach to Factor Investing, Oxford University Press.
- Mikosch, Thomas (1998), Elementary Stochastic Calculus with Finance in View, World Scientific.

### 3) 7SSMM706 Empirical Finance

- Cuthbertson and Nitzsche (2004) Quantitative Financial Economics, Wiley.
- Lo and MacKinlay (1999) A Non-Random Walk Down Wall Street, Princeton.
- Campbell, Lo and MacKinlay (1997) The Econometrics of Financial Markets, Princeton.
- LSTA, Taylor and Sansone (2007) Loan Syndications and Trading, Wiley.
- Deacon (2005) Global Securitisation and CDOs, Wiley

### 4) 7SSMM707 Risk Management

- Casu, B., Girardone, C., Molyneux, P., (2015). Introduction to Banking, second edition. Pearson Higher Education.
- Danielsson, J., (2013). Global Financial Systems. Stability and Risk, first edition. Pearson Higher Education.
- Hull, J., (2015). Risk Management and Financial Institutions, fourth edition. John Wiley and Sons.
- Mishkin, F., Eakins, S., (2015). Financial Markets and Institutions, eighth edition. Pearson Higher Education.

### 5) 7SSMM708 Financial Econometrics

- John Y Campbell, Andrew W Lo and A Craig MacKinlay, The Econometrics of Financial Markets. Princeton University Press.

**6) 7SSMM709 Corporate Finance**

- Damodaran, A. (2014). Applied Corporate Finance, fourth edition. Wiley.
- Brealey, R., & Meyers, S. (2011). Fundamentals of Corporate Finance, seventh edition. McGraw Hill/Irwin Series in Finance, Insurance and Real Estate.

**7) 7SSMM711 Banking Regulation**

- C. Goodhart et al., Financial Regulation: Why, How and Where Now? (Routledge, 1998).
- Rosa M Lastra (ed), Cross-Border Bank Insolvency (Oxford: OUP, 2011).
- Rosa M Lastra, International Financial and Monetary Law (2nd ed., Oxford: OUP, 2015).
- Mario Giovanoli and Diego Devos (eds), International Monetary and Financial Law: The Global Crisis (Oxford: OUP, 2010).
- S. Valdez and P. Molyneux, An Introduction to Global Financial Markets (Macmillan, 2010).
- R. Cranston, Principles of Banking Law (OUP 2002).
- H. Scott and A. Gelpern, International Finance: Transactions, Policy and Regulation (Foundation Press 2011).
- C. Goodhart, The Regulatory Response to the Financial Crisis (Edward Elgar Publishing Ltd, 2010).
- T. F. Huertas, Crisis: Cause, Containment and Cure (Palgrave Macmillan, 2011).

**8) 7SSMM712 Topics in Applied Finance**

*To be confirmed*

**9) 7SSMM610 - Behavioural Finance**

- Forbes, W., Behavioural Finance, John Wiley and Sons, West Sussex, UK, 2009.
- Thaler, R.H., Advances in Behavioural Finance, Russell Sage Foundation, NY, 1993.

**10) 7SSMM715 Research Project**

- Baum, F. An Introduction to Modern Econometrics Using Stata, 2006, Stata Press.
- Vogelpang, B. Econometrics: Theory & Applications with Eviews, 2004, Prentice Hall

**Useful articles topic by topic for Research Project (Provisional)**

***Monetary Policy and Stock Market***

- Allen, F., Gale, D., 2001. Bubbles and crises. Economic Journal, 110, 236-55.
- Bean, C.R., 2005. Asset prices, financial instability and monetary policy. American Economic Review 94, 14-18.
- Bernanke, B. S., 2000. Monetary policy and asset price volatility. NBER Working Paper Series 7559.

- Bernanke, B.S., Gertler, M., 1999. Monetary policy and asset market volatility. Federal Reserve Bank of St. Kansas City Economic Review 84, 17-52.
- Bernanke, B. S., Gertler, M., 2001. Should Central Banks Respond to Movements in Asset Prices? American Economic Review 91, 253-257.
- Bernanke, B.S., Mihov, I., 1998. Measuring monetary policy. Quarterly Journal of Economics 113, 869-902.
- Bordo, M.D., Jeanne, O., 2002. Boom-busts in asset prices economic instability and monetary policy. NBER Working Paper Series 8966.
- Cecchetti, S.G., Genberg, H., Wadwhani, S., 2002. Asset prices in flexible inflation targeting framework. NBER Working Paper Series 8970.
- Cecchetti, S.G., Genberg, H., Lipsky, J., Wadwhani, S., 2000. Asset Prices and Central Bank Policy. The Geneva Report on the World Economy.
- Fuhrer, J., Tootell, G., 2008. Eyes on the prize: How did the fed respond to the stock market? Journal of Monetary Economics 55, 796-805.
- Filardo, A., 2000. Monetary policy and asset prices. Federal Reserve Bank of Kansas City Economic Review 85, 11-37.
- Frait, J., Komarek, L., 2006. Monetary Policy and Asset Prices: What Role for Central Banks in New EU Member States? Department of Economics, University of Warwick, Working paper series 738.
- Gilchrist, S., Leahy, J.V., 2002. Monetary policy and asset price. Journal of Monetary Economics 49, 75-97.
- Godhart, C., Hofmann, B., 2002. Do asset prices help to predict consumer price index? The Manchester School 68, 122-40.
- Goodfriend M., 2005. Interest rate policy should not react directly to asset prices, in Hunter, W.C., Kaufman, G.G., Pomerlano, M. (eds), Asset price bubbles: the implication for monetary, regulatory and international policies, MIT press.
- Mishkin, F.S., 2001. The transmission mechanism and the role of asset prices in monetary policy. NBER Working Paper Series 8617.

#### *Pairs trading: can the market be systematically beaten?*

- Baronyan S., Boduroglu, I., Sener, E., 2010. Investigation of stochastic pairs trading strategies under different volatility regimes. The Manchester School 78, 114-143.
- Chng, M., 2009. There is something about pairs trading. Corporate Finance Review 13, 27-35.
- Elliott, R. J., Van Der Hoek, J., 2005. Pairs trading. Quantitative Finance 3, 271-276
- Gatev, E., Goetzman, W. N., Rouwenhorst, K. G., 2006. Pairs trading: performance of a Relative-Value Arbitrage Rule. Review of Financial Studies 19, 797-827.
- Lin Y.X., McCrae, M., Gulati, C., 2006. Loss protection in pairs trading through minimum profit bounds: a cointegration approach. Journal of Applied Mathematics and Decision Science, 1-14.
- Perlin, M. S., 2009. Evaluation of pairs-trading strategy at the Brazilian financial market. Journal of Derivatives and Hedge Funds 15, 122-136.
- Schmidt, A. D., 2008. Pairs trading: A cointegration approach. University of Sidney.
- Vidyamurthy, G., 2004. Pairs trading: Quantitative methods and analysis. Wiley.

#### *Equilibrium and competition in the banking sector*

- Allen F., H.Gersbach, J.P. Kranhlen, A.M. Santomero, 2001. Competition among banks: introduction and conference overview. European Finance Review 5, 1-11.

- Bikker, J.A. and Haaf, K, 2002. Competition, concentration and their relationship: an empirical analysis of the banking industry. *Journal of Banking and Finance* 26, 2191-2214.
- Bikker J.A., L.Spierdijk, Finnie P, 2007. Misspecification in the Panzar - Rosse model: assessing competition in the banking industry, Working Paper, De Nederlandsche Bank.
- Goddard, J., Wilson, J., 2009. Competition in banking: A disequilibrium approach, *Journal of Banking and Finance* 33, 2282-2292.
- Leonida L., Silipo D., 2011. Competition and the Adjustment Processes, Mimeo.
- Hempell H.S., 2002. Testing for competition among German banks, Economic Research Centre, Deutsche Bundesbank.
- Kiviet J.F., 1995. On bias, inconsistency, and efficiency of various estimator in dynamic panel data models. *Journal of Econometrics* 68, 53-78.
- Molyneux P., D.M. Lloyd, Thornton W.J., 1994. Competitive conditions in European banking. *Journal of Banking and Finance* 18, 445-459.
- Panzar, J.C., Rosse, J.N., 1987. Testing for monopoly equilibrium, *Journal of Industrial Economics* 35, 443-456.
- Shaffer S., 1989. Competition in the US banking industry *Economics Letters* 29, 321-323.
- Shaffer S, 2004. Patterns of competition in banking. *Journal of Economics and Business* 54, 287-313.
- Trivieri F., 2007. Does cross-ownership affect competition? Evidence from the Italian banking industry. *Journal of International Financial Markets, Institutions and Money* 17, 79-101.
- Vesala J., 1995. Testing for competition in banking: behavioural evidence from Finland. Bank of Finland studies.

#### *Investment models and imperfections in capital markets*

- Allayannis, G., Mozumdar, A., 2004. The impact of negative cash flow and influential observations on investment cash flow sensitivity estimates. *Journal of Banking and Finance* 28, 901-930.
- Almeida, H., Campello, M., 2001. Financial constraints and investment-cash flow sensitivities: new research directions. Mimeo, New York University.
- Almeida, H., Campello, M., Weisbach, M., 2004. The cash flow sensitivity of cash. *Journal of Finance* 59, 177-1804
- Bond, S., Meghir, C., 1994. Dynamic investment models and the firm's financial policy. *Review of Economic Studies* 61, 197-222.
- Cleary, S., 1999. The relationship between firm investment and financial status. *The Journal of Finance* 54, 673-692.
- Cleary, S., Povel, P., Raith M., 2007. The U-Shaped Investment Curve: Theory and Evidence. *Journal of Financial and Quantitative Analysis* 42, 1-39.
- Fazzari, S.M., Hubbard, R.G., Petersen, B.C., 1988. Financing constraints and corporate investment. *Brookings Papers on Economic Activity* 1, 141-195.
- Fazzari, S.M., Hubbard, R.G., Petersen, B.C., 2000. Investment-cash flow sensitivities are useful: A comment on Kaplan and Zingales. *Quarterly Journal of Economics* 115, 695-705.
- Hubbard, G., 1998. Capital market imperfections and investment. *The Journal of Economic Literature* 36, 193-225.
- Kaplan, S.N., Zingales, L., 1997. Do investment-cash flow sensitivities provide useful measures of financing constraints. *Quarterly Journal of Economics* 112, 169-215.
- Kaplan, S.N., Zingales, L., 2000. The investment-cash flow sensitivities are not valid measures of financing constraints. *Quarterly Journal of Economics* 112, 705-710.

- Iona, A., Leonida, L., Ozkan, A., 2006. On the relationship between the cash flow sensitivity and the degree of financing constraints. Evidence from the UK firms, Discussion Papers, SOBE, University of Exeter.
- Povel, P., Raith, M., 2002. Optimal investment under financial constraints: the roles of internal funds and asymmetric information. Working Paper, University of Rochester and CEPR.

### *Financial policies and the value of the firm*

- Altman, E.I., 1968. Financial Ratios, discriminant analysis and the prediction of corporate bankruptcy. The Journal of Finance 23, 589-609.
- Altman, E.I., Haldeman, R.G., Narayanan, P., 1977. Zeta analysis: a new model to identify bankruptcy risk of corporations. Journal of Banking and Finance 1, 29-54.
- Bhagat, S., Moyen, N., Suh, I., 2005. Investment and internal funds of distressed firms. Journal of Corporate Finance 11, 449-472.
- Iona, A., Leonida, L., Ozkan, A., 2004. Determinants of financial conservatism: Evidence from low-leverage and cash-rich UK firms, Discussion Papers 04/01, University of York.
- Iona, A., Leonida, L., 2012. Policy of cash in excess and ownership structure, Mimeo.
- Hubbard, G., Kashyap, A.K., Whited, T., 1995. Internal finance and firm investment. Journal of Money, Credit and Banking 27, 683-701.
- Modigliani, F., Miller, M.H., 1958. The cost of capital, corporation finance, and the theory of investment. American Economic Review 48, 261-297.
- Myers, S.C., 1977. Determinants of corporate borrowing. Journal of Financial Economics 5, 147-175.
- Myers, S.C., 1984. The capital structure puzzle. Journal of Finance 39, 575-592.
- Whited, T.M., 1992. Debt, liquidity constraints and corporate investment: evidence from panel data. The Journal of Finance 47, 1425-1460.
- Whited, T.M., Wu, G., 2006. Financial constraints risk. Review of Financial Studies 19, 531-559.

### *The efficient capital market hypothesis and behavioural finance*

- Baillie, R.T., Bollerslev T., 2000. The Forward Premium Anomaly Is Not As Bad As You Think. Journal of International Money and Finance 19, 471-488.
- Baldwin, R., 1990. Re-interpreting the failure of foreign exchange market efficiency test: small transaction costs, big hysteresis bands. NBER Working Paper Series 3319.
- Ball, R., 2009. The global financial crisis and the efficient market hypothesis: what have we learned? Journal of Applied Corporate Finance 21, 8-16.
- Beechey, M., Gruen, D., Vickery, J., 2000. The efficient market hypothesis: a survey. Reserve Bank of Australia Research Discussion Paper 1.
- Chen, S.H., Yeh, C.H., 2002. On the emergence of properties of artificial stock markets: the efficient market hypothesis and the rational expectations hypothesis. Journal of Economic Behavior and Organization 49, 217-239.
- Chinn, M.D. Frankel, J.A., 1994. Patterns in Exchange Rate Forecasts for 25 Currencies. Journal of Money, Credit and Banking 26, 759-770.
- Clarida R.H., Taylor, M.P., 1997. The term structure of forward exchange premiums and the forecastability of spot exchange rates: correcting the errors. Review of Economics and Statistics 79, 353-361.
- Engel C., 1996. The forward discount anomaly and the risk premium: A survey of recent evidence, Journal of Empirical Finance 3, 123-192.

- Frankel, J.A., Engel, C.M., 1984. Do Asset Demands Optimize over the Mean and Variance of Returns? A Six Currency Test. *Journal of International Economics* 17, 309-323.
- Frankel, J.A., Froot, K.A., 1987. Using Survey Data to Test Standard Propositions Regarding Exchange Rate Expectations. *American Economic Review* 77, 133-153.
- Moore, M.J., 1994. Testing for Unbiasedness in Forward Markets. *The Manchester School* 62, 67-78.
- Jagric, T., Podobnik, B., Kolanovic, M., 2005. Does the efficient market hypothesis hold? Evidence from six transition countries. *Eastern European Economics* 43, 79-103.
- Lewis, K.K., 1995. Puzzles in International Financial Markets, in Grossman, G. M. and Rogoff, K. (eds), *The Handbook of International Economics*, vol. 3.
- Malkiel, B.G., 2003. The efficient market hypothesis and its critics. *Journal of Economic Perspective* 17, 59-82.
- Sarno, L., Thorston, D.L., 2004. The efficient market hypothesis and identification in structural VARs. *Federal Reserve Bank of St. Louis Review* 86, 49-60.
- Timmermann, A., Granger, C., 2003. Efficient market hypothesis and forecasting. *International Journal of Forecasting* 20, 15-27.
- Verdelhan, A., 2006. A Habit-Based Explanation of the Exchange Rate Risk Premium. Mimeo Boston University.
- Villanueva, O.M., 2005. FX Dynamics, Limited Participation, and the Forward Bias Anomaly. *The Financial Review* 40, 67-93.

#### *Does the Purchasing power parity hold?*

- Abuaf, N., Jorion, P., 1990. Purchasing power parity in the long run. *Journal of Finance* 45, 157-74
- Engel, C., 1996, Long run PPP may not hold after all. NBER Working Paper Series 5646.
- Frankel, J.A., Rose, A.K., 1996. A panel project on purchasing power parity: mean revision within and between countries. *Journal of International Economics* 40, 209-24.
- Froot, K.A., Rogoff, K., 1994. Perspectives on PPP and long run real exchange rates. NBER Working Paper Series 4952.
- Imbs, J., Mumtaz, H., Ravn, M.O., Rey, K., 2005. PPP strikes back: Aggregation and the real exchange rate. *Quarterly Journal of Economics* 120, 1-43.
- Koedijk, K.G., Tims, B., van Dijk, M.A., 2004. Purchasing power parity and the Euro area. *Journal of International Money and Finance* 23, 1081-107.
- O'Connell, P.G.J., 1998. The overvaluation of purchasing power parity. *Journal of International Economics* 44, 1-19.
- Pappell, D.H., 1998. Searching for stationarity: Purchasing power parity under the current float. *Journal of International Economics* 43, 313-32.
- Rogoff, K., 1996. The purchasing power parity puzzle. *Journal of Economic Literature* 34, 647-668.
- Sarno, L., 2005. Towards a solution to the puzzles in exchange rate economics: Where do we stand?. Warwick Business School Working Paper Series 05-11
- Sarno, L., Taylor, M.P., 2002. Purchasing power parity and the real exchange rate. *International Monetary Fund Staff Papers*, 49.
- Sarno, L., Valente, G., 2004. Deviations from purchasing power parity under different exchange regimes: Do they revert and, if so, how. University of Warwick mimeo.
- Taylor, A.M., 2002. A century of purchasing power parity. *Review of Economics and Statistics* 84, 139-50.

### *Predicting volatility in financial markets*

- Bauwens, L., Laurent, S., Rombouts, J.V.K., 2006. Multivariate GARCH models: a survey. *Journal of Applied Econometrics* 21, 79-109.
- Bera, A.K., Higgins, M.L., 2006. ARCH models: properties, estimation and testing. *Journal of Economic Surveys* 7, 305-366.
- Bollerslev, T., 1986. Generalized autoregressive conditional heteroskedasticity. *Journal of Econometrics* 31, 307-327.
- Engle, R., 1982. Autoregressive conditional heteroskedasticity with estimates of the variance of the UK inflation. *Econometrica* 50, p. 987-1008.
- Engle, R., Bollerslev, T., 1986. Modelling the persistence of conditional variances. *Econometric Review* 5, 1-50.
- Engle, R., Mustafa, C., 1992. Implied ARCH models from options prices. *Journal of Econometrics* 52, 289-311.
- Gouriéroux, G., 1997. ARCH models and financial applications. Springer.
- Hamilton, J. D., 1994. Time series analysis. Cambridge University Press.
- Hidalgo, J., Zaffaroni, P., 2007. A goodness of fit test for ARCH models. *Journal of Econometrics* 141, 835-875.
- Jeanthreau, T., 2002. A link between complete models with stochastic volatility and ARCH models. *Finance and Stochastics* 8, 111-131.
- Lundbergh, T. T., 2002. Evaluating GARCH models. *Journal of Econometrics* 110, 417-435.
- Nelson, D.B., Conditional heteroskedasticity in asset returns: A new approach. *Econometrica* 59, 347-370.
- So, M.K.P., Phillip L.H.Y., 2006. Empirical analysis of GARCH models in values at risk estimation. *Journal of International Financial Markets, Institutions and Money* 16, 180-197.

### *Presentation of data sources*

- Thomson Reuters, 2008. Datastream global equity indices, User Guide 5.
- Standard and Poor's, 2011. Compustat Xpressfeed - Understanding the data.