Behavioural Finance:

Foundations & Recent Developments

13 July, 2015

Fitch Learning, London

Topics Covered:

- **Juxtaposition of Behavioural Finance and Neo-Classical Decision Theory**
- **Hard and Soft Side of Investment Behaviour**
- **Improving Investment Decisions with Behavioural Finance**
- **Efficient Market Hypothesis; Market Anomalies; Utility Theory & Prospect Theory**

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Background:

The financial climate continues to be dynamic and evolving. New systems are being developed to analyze market behaviour and the attitudes of financial professionals. The emergence and impact of behavioural finance is reflected in the choice of recipients of the Nobel Prize in Economics (Daniel Kahneman, 2002 and Robert J. Shiller, 2013).

The neoclassical paradigm -- featuring rational decision making and efficient markets hypothesis (EMH), -- has dominated the quant finance landscape for the last half century. Recently a new financial paradigm has emerged, in which the psychological features considered by proponents of behavioural finance and the quantitative techniques favoured by the practitioners of established neoclassical finance are brought together.

Some contend that Behavioural Finance is more a collection of anomalies than a true branch of finance. However, there is considerable work now being done on innovative techniques of sentiment analysis which combine analysis of newswires, microblogs (Twitter) and, more recently, Google searches.
In this workshop, some of the fascinating discoveries at the interface of behavioural and quantitative finance are presented.

PROGRAMME

09.00 Registration and Coffee

09.30 Welcome and Introduction

What is Behavioural Finance and How can it Help Improve Investment Decisions?
Gulnur Muradoglu, Professor of Finance, School of Business & Management, Queen Mary University of London
Professor Muradoglu will introduce Behavioural Finance in historical context in relation to the needs of financial community and discuss the benefits to practitioners in terms of reducing their own biases and devising successful investment strategies.

Investors' profiling with Behavioral Finance Models
Enrico de Giorgi, Professor of Mathematics, University of St Gallen
The talk discusses how behavioral finance models can be applied to improve the advisory process at banks. We compare classical and behavioral preferences and show how the latter successfully describe investors' behavior. We then present a risk profiling tool which is based on a behavioural finance model.

Panel 1: Interactive Q&A session discussing aspects of Behavioural Finance

Lunch

Continued on next page

PROGRAMME (continued)

Emotions and Markets: The Hard Science Underneath the Soft Side of Investment Behaviour

Richard Peterson, CEO, MarketPsych

◊ How information arouses investor emotion

◊ The emotions of investment behaviour
- Greed and speculative manias
- The differential biases of anger and fear
- The amplifying roles of uncertainty and urgency

◊ Learn to identify financial market regimes based on emotional reactivity

◊ Evidence for how emotions drive speculative bubbles, panics, regimes, and price trends

◊ Audited and forward-tested investing models performing "emotional arbitrage"

The Psychology of Risk: The Behavioral Finance Perspective

Victor Ricciardi, Goucher College

Professor Ricciardi discusses behavioral finance, the psychology behind risk-taking, what makes individuals feel the way they do when making financial judgments, and how understanding our cognitive (mental) and affective (emotional) issues makes us better decision makers. The presentation also covers the role of personality and risk-taking on investor decision making; specific factors that influence an investor's information processing including cognitive and affective (emotional) factors; the strategies and approaches that can be utilized to counsel clients to make better financial judgments and decisions.

Recent Advances in Modelling Behaviour in Financial Markets

Klaus Reiner Schenk-Hoppé, Professor of Financial Economics, School of Social Sciences
University of Manchester

How far have we come in modelling heterogeneous behaviour in financial economics? My talk will discuss recent advances in simulating financial markets and the lessons that can be learned about rational speculation, changes in individual and aggregate behaviour due to transaction taxes and short selling constraints, and the adaptive markets hypothesis

The Forest and the Trees in Investor Behaviour

Raphael Markellos, Norwich Business School UEA

This talk discusses recent research findings which highlight the value of analysing investor behaviour at both the macro and micro level of aggregation using different sampling frequencies and time periods. It also stresses the need to control for variations in information quality, quantity, attention, culture and microstructure when investigating sentiment. Although exploratory analysis is useful, it is important to also have a theoretical perspective and intuition when searching for empirical patterns that can be used to support trading and risk-related decisions.

Panel 2: Interactive Q&A session on Afternoon Sessions

17.30 Close

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Speaker Profiles

Enrico De Giorgi is Professor of Mathematics at University of St. Gallen and Head of the Profile Area "Quantitative Economics Methods". He is also a founding partner of Behavioural Finance Solutions GmbH. He holds an MS in Mathematics from the Swiss Federal Institute of Technology, Zurich and a PhD in Economics from the University of Zurich. His research interests are decision analysis, behavioural finance, and risk management. Currently, he is Associate Editor of Management Science and of Mathematics and Financial Economics.

Raphael Markellos is Professor of Finance at Norwich Business School, University of East Anglia. He is interested in the role, analysis and modelling of information in finance. His latest research focuses on the analysis and modelling of online search data, text, social media and big data in order to capture features such as sentiment and attention. Markellos has over 15 years of experience in consulting and executive training in the US, UK, Germany Luxemburg and Greece. In addition to over 40 research papers, he has co-authored the 3rd edition of "The Econometric Modelling of Financial Time Series" published by Cambridge University Press in 2008.

Gulnur Muradoglu is a Professor of Finance and the Director of PhD Programme and the Director of the Behavioural Finance Working Group at the School of Business and Management, Queen Mary University of London. She has worked as the Director of PhD Programme for Cass Business School, and as Director of MSc. Finance for Manchester Business School.

Richard Peterson is CEO of MarketPsych Data which produces psychological and macroeconomic data derived from text analytics of news and social media. MarketPsych's data is consumed by the world's largest hedge funds. Dr. Peterson is an award-winning financial writer, an associate editor of the Journal of Behavioral Finance, has published widely in academia, and performed postdoctoral neuroeconomics research at Stanford University

Victor Ricciardi is an Assistant Professor of Financial Management at Goucher College in Baltimore, Maryland. He teaches courses in financial planning, investments, corporate finance, behavioral finance, and the psychology of money. Kent Baker and Victor Ricciardi are co-editors of the book *Investor Behavior: The Psychology of Financial Planning and Investing* was published in February 2014 and the book is part of the Wiley Finance Series. This research endeavor is a contributor series book that incorporates 30 chapters written by 45 leading experts (academics and practitioners) on the emerging research on investor psychology in personal finance, financial planning, and investment management.

Klaus Reiner Schenk-Hoppé is a Professor of Financial Economics at School of Social Sciences, University of Manchester and is adjunct professor at Department of Finance, Norwegian School of Economics. Before coming to Manchester he held positions at the Leeds University Business School and the School of Mathematics at the University of Leeds. His current research interests include financial economics, computational economics, dynamic economic theory and random dynamical systems theory. Klaus has a PhD in mathematics.

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Related Events

CONFERENCE

BEHAVIOURAL MODELS AND SENTIMENT ANALYSIS APPLIED TO FINANCE

15 - 16 JULY, 2015

Sentiment Analysis has developed as a technology that applies machine learning and makes a rapid assessment of the sentiments expressed in news releases. News (events) move the market and are measured quantitatively. Analysts and investors digest financial news and their perceptions impact the market and move stock prices. This conference presents the current state of the art in this fast-emerging field. The conference also presents the current state of knowledge in the application of Sentiment Analysis to the respective models of trading, fund management and risk control. Major news (meta) data suppliers such as Bloomberg, Thomson Reuters, Dow Jones, RavenPack and MarketPsych have committed their participation and sponsorship. Case studies by investment banks, proprietary trading houses and financial analytics providers are under discussion; further such contributions are solicited. Leading academics, thought leaders and researchers from Europe, UK and USA have agreed to contribute and participate in the conference and the workshops.

PRE-CONFERENCE WORKSHOP (II)

MARKET MICROSTRUCTURE, LIQUIDITY AND AUTOMATED TRADING

14 JULY, 2015

Topics covered:

- **Introduction to market microstructure and liquidity measures**
- **Optimal trade execution strategies**
- **Automated trading strategies**
- **Discussion of trading platforms and their features**
- **Pre- and post-trade analytics**

Presenters include:

Ashok Banerjee, Dean of New Initiatives and External Relations at the Indian Institute of Management (IIM) Calcutta.

Rajib Ranjan Borah, co-Founder and Director of iRageCapital Advisory Pvt Ltd, and QuantInsti Quantitative Learning Private Limited

Dan diBartolomeo, President and founder of Northfield Information Services, Inc.

Terri Duhon, Founder & Senior Advisor, B&B Structured Finance Limited

Ilya Gorelik, CEO & Founder, Deltix

POST CONFERENCE WORKSHOP

SENTIMENT CLASSIFICATION AND OPINION MINING USING NEWS WIRES AND MICRO BLOGS (TWITTER)

17 JULY, 2015

Topics covered:

- **Aspect–based sentiment analysis**
- **Multi dimensional Sentiment Analysis**
- **Extracting user-level sentiments with approval relations**

Presenters include:

Enza Messina, Professor in Operations Research at the Department of Informatics Systems and Communications, University of Milano-Bicocca (Italy)

Federico Alberto Pozzi, currently: Analytical Consultant SAS / formerly: Researcher, University of Milano-Bicocca, Italy

Stephen Pulman, Professor of Computational Linguistics at the Department of Computer Science, Oxford University and co-founder of TheySay Ltd.

Tomaso Aste, Head, Financial Computing & Analysis Group, and **Olga Kolchyna**, Research Student, University College London

Three overview presentations (details TBC):

Text to sentiment classification process: the approaches taken and features offered to clients

Presentation 1: RavenPack
Presentation 2: Bloomberg
Presentation 3: Thomson Reuters

Panel with Discussion and Q & A
Led by Tomaso Aste, University College London

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Fees:

Early Bird rate until 8 May 2015: £195 + VAT
Standard price after 8 May 2015: £275 + VAT
Or £100 + VAT if booked with conference on 15-16 July

WHAT THE REGISTRATON FEE INCLUDES:
The registration fee for the training course or the event covers the following: attendance, copy of the documentation and materials, examinations where applicable and light refreshments. Accommodation is not included unless otherwise specified.
Joining instructions will be sent to you approximately one week before the event (if for any reason these are not received, please contact UNICOM).

PAYMENT TERMS:
Payment is required in advance of the event or at the latest, paid at the event.
All invoices carry a 10% surcharge, which is payable if the fee remains unpaid on the day of the event and 30 days thereafter; should the invoice remain unpaid beyond 30 days and up to 45 days the surcharge increases to 15% and if unpaid after 45 days the surcharge increases to 20%. For credit card payments a 2.5% fee amount is charged or for American Express cards the fee is 3% of the total amount.

CANCELLATION AND SUBSTITUTION TERMS:
What happens if I have to cancel? If you confirm your **CANCELLATION** in writing up to fifteen (15) working days before the event or training start date and if the invoice has already been paid you will receive a refund less a 10% + VAT service charge; if the invoice has not been paid at that point a credit note for the existing invoice will be raised and a new invoice raised for the 10% +VAT service charge – the service charge invoice is due for payment by the original event / training start date. Regrettably, no refunds can be made for cancellations received less than 15 working days prior to the event and the invoice will remain due. **SUBSTITUTIONS** are welcome at any time – there is no fee for sending a substitute delegate on any event or training. If it is more than 15 working days but less than 5 working days before the course or training start date, you may TRANSFER your registration to a future date within a 6 month period. If it is less than 15 working days to the event /training start date you can still TRANSFER your booking to a future event date within 6 months but an additional transfer fee of £125+VAT per person per event day will be charged (e.g. the transfer fee for a 2 day training is £250+VAT), invoices for transfer fees are due for payment within 7 days of the invoice date.
As we cannot guarantee that exactly the same event or training will be available, the transfer will be open to any other UNICOM event taking place within six months from the date of the original event. **TRANSFERS** are not accepted less than five (5) working days before the event or training unless there are exceptional circumstances and the acceptance of the transfer is at the discretion of UNICOM.
Where a transfer has been made and a future date selected, the standard cancellation terms and conditions apply to the transferred booking just as if it were a new booking.
UNICOM reserves the right to amend the event / training content programme if necessary and cannot guarantee repeats of the same event or training. All transfers and cancellations must be made in writing either by email or letter and are only valid when confirmed by email or in writing by UNICOM. Transfers and cancellations are not accepted by telephone.
INDEMNITY:
Should for any reason outside the control of UNICOM Seminars Ltd, the venue or the presenters change, or the event be cancelled due to but not exclusively to industrial action, adverse weather conditions, an act of terrorism, presenter illness or other reasons beyond its control UNICOM Seminars Ltd will make reasonable endeavour to reschedule, but the client hereby indemnifies and holds UNICOM Seminars Ltd harmless from and against any and all costs, damages and expenses, including attorneys fees, which are incurred by the client as a consequence beyond the attendance fee due to UNICOM. The construction validity and performance of this Agreement shall be governed by all aspects by the laws of England to the exclusive jurisdiction of whose court the Parties hereby agree to submit.