Behavioural Finance

INTRODUCTION

- The performance of financial markets is directly related to the sentiments of market participants. Positive market sentiment leads to a strong market whilst negative market sentiment drives a bearish one — which can lead to a financial crisis. Traditional finance methods fail to incorporate these psychological factors and usually assumes that the market is trading at irrational levels. On the other hand, behavioural finance explains how fear, greed, hope, anger, sadness, happiness, panic, climate change and non-traditional factors affect the overall performance of a market. It is important to understand the psychology of the market before investing. Behavioural finance is a powerful tool that helps investors to build a successful investment portfolio in the current volatile market.
- This training course in Behavioural Finance provide a unique opportunity to current/potential investors and financial analysts to understand the psychology of the market. This training course shows how emotions drive the financial market system. Furthermore, delegates will learn about market sentiment, rational and irrational behaviour, noise trading, over confidence and low confidence, behavioural biases, loss aversion, overreaction, underreaction, managerial hubris, technical trading (momentum and contrarian) and the latest development in behavioural finance. Delegates will have a deeper understanding about the financial consequences of behavioural biases.

This training courses will highlight:

- The Rise and Fall of Neoclassical Finance
- The Rise and Rise of Behavioural Finance
- The Financial Consequences of Behavioural Biases
- Behavioral Investment Strategies I & II
- Recent Developments in Behavioural Finance

OBJECTIVES

At the end of this training courses, you will learn to:

- Identify the behavioural biases, heuristics and framing effects that present obstacles to maximising the value derived from corporate financial and investment decisions
- Assess how both individual financial decision making and behaviour affect investment outcomes in financial markets
- Highlight the relevant issues that arise in comparisons between efficient ('economically rational') markets and less understood but more realistic behavioural ('partially rational' or 'irrational') markets
- Demonstrate how educated investors and corporate decision makers can overcome these behavioural biases, heuristics and framing effects to improve their corporate financial and investment decisions
- Demonstrate an understanding of current market dynamics

TRAINING METHODOLOGY

- This training course will be structured as a highly participative workshop with formal presentations, latest research articles and interactive worked examples. Relevant examples and empirical studies are provided to illustrate the application of each of the topics covered and opportunities are provided to learn and apply the key investment strategies.

ORGANISATIONAL IMPACT

The organisation will benefit from the development and practical application of advanced behavioural science in financial market risk as well as from raised awareness of important recent developments in financial management. Specific benefits for the organisation include:

- Using psychology and neuroscience of financial decision making
- Making decision under existing market sentiment
- Up to date knowledge of the current market dynamics
- Development of skills in critical analysis and interpretation of financial innovations and risks
- Raised awareness of new financial opportunities
- Ability to build a winning portfolio
- Advanced practical skills in financial forecasting

PERSONAL IMPACT

- The ability to use behavioural models for making business decision
- The opportunity to correct their own mistakes based on their own behavioural biases
- The knowledge with dealing with others who have behavioural biases
- Deeper understanding of how the financial market operates
- The ability to make financial decisions in a volatile market
- A good understanding around existing and upcoming financial products
- A better understanding of the current market trend
- Knowledge about financial management

WHO SHOULD ATTEND?

- This training courses would be relevant to all of those involved in (or planning to join) making investment and sales decisions. This includes private individuals, financial and non-financial institutions, non-profit organizations and government.

This training course is suitable to a wide range of professionals but will greatly benefit:

- Financial Accounting Team Members
- Financial Planning and Budgeting Professionals
- Strategic Planning and Head Office Team Members
- Corporate Communication and Investor Relations Professionals
- Investment Analysts and Advisers
- Traders
- Investors in general
- Marketing Analyst
- Leaders

Course Outline

The Rise and Fall of Neoclassical Finance & The Rise and Rise of Behavioural Finance

- Introduction
- Pillars of Conventional Finance
- The Failure of Neoclassical Finance
- The Illusion of Fama & French Revealed
- Efficient Market Hypothesis as the Cause of the Global Financial Crisis
- Bubbles and Crashes in the Stock and FX Market
- Why Academia & Authorities Embrace the EMH?
- Discarding Rationality
- Sources and Examples of Irrationality
- Market Anomalies

The Financial Consequences of Behavioural Biases

- Loss Aversion Bias
- Overconfidence Bias
- Representativeness Bias
- Anchoring Bias
- Self-serving Bias
- Disposition Effect
- Managerial Hubris
- Application to Working Capital Management

Behavioural Investment Strategies I

- Noise Trading
- Technical Analysis
- Momentum Trading
- Contrarian Investment Strategies
- High Frequency Trading and Multilateral Trading Platforms
- Energy Trading
- Commodity Trading
- Terrorism Risk

Behavioural Investment Strategies II

- Fund Managers' Behaviour
- The Green Effect
- Sustainable Finance
- Fintech
- Cryptocurrency
- Black Friday Effect
- Derivative Trading
- Financial Volatility from Brexit and COVID-19

Recent Developments in Behavioural Finance

- Ecology and Finance
- Neuroscience
- Emotional Finance
- Quantitative Behavioural Finance
- Narcissism, Political Tenure, Financial Indicators, and the Effectiveness
- Wealth Effects and Diamond Risk Structure
- Trumpism Economics
- Seasonality in REIT
- Health Finance