ASSET PRICING

Course title - Intitulé du cours	Asset Pricing (part 1: theory)
Level / Semester - Niveau /semestre	
School - Composante	TSM / TSE
Teacher - Enseignant responsable	Debrah Meloso (15 hours)
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
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Other teacher(s) - Autre(s) enseignant(s)	
Lecture Hours - Volume Horaire CM	30
TA Hours - Volume horaire TD	0
TP Hours - Volume horaire TP	0
Course Language - Langue du cours	English
TA and/or TP Language - Langue des TD et/ou TP	

Teaching staff contacts - Coordonnées de l'équipe pédagogique :

Course's Objectives - Objectifs du cours : Students will acquire basic notions and tools used in the subfield of asset pricing. This should serve as a base for the development of theoretical, empirical, or experimental research questions on the topic. An emphasis is put on the link between theory and experimental studies of asset pricing.

Course outline :

1. Contingent claims economy, Arrow-Debreu prices
2. Absence of arbitrage, the pricing kernel, and the fundamental theorem of asset pricing.
3. Radner equilibrium (static); the Capital Asset Pricing Model (CAPM).
4. Representative agent approach to asset pricing and stochastic Euler equations. Investor preferences and aggregation.
5. Time permitting: (i) dynamic completeness in the Radner economy or (ii) rational expectations equilibrium.

Prerequisites - Pré requis : basic knowledge of microeconomics and some macroeconomics, are helpful; basic knowledge of calculus and linear algebra are assumed.

Grading system - Modalités d'évaluation : two homework sets and a reading report + presentation constitute the grade.

Bibliography/references - Bibliographie/références :

Lengwiler, Y. (2004). Microfoundations of Financial Economics. In *Princeton Series in Finance*, eds. D. Duffie and S. Schaefer. Princeton University Press, NJ, USA. *Chapters 1-6.*

Magill, M. and M. Quinzii (1996). Theory of Incomplete Markets. MIT Press, MA, USA. *Chapters 2-3.*

Cochrane, J. (2001). Asset Pricing. Princeton University Press, NJ, USA. *Chapters 1-4, 9.*