Finance 395-3 # 03700

ASSET PRICING THEORY

Spring 2016

Monday & Wednesday at 9:30-11:00am in CBA 4.338

People

Instructor
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CBA 6.222

Content

This course covers asset pricing theory from the classic foundations up to current research. Classic topics include state prices, pricing kernels, mean-variance efficient portfolios, arbitrage pricing theory, expected utility, risk aversion, representative agent and asymmetric information. We will focus mostly on multiperiod discrete time models but also cover the basics of continuous time (mostly ICAPM). More current topics center around consumption-based asset pricing with applications to cross-sectional returns (for example the value premium) and the time series of the market return (for example equity premium and time series predictability). This class focuses on theory but we will also discuss some empirical findings to better understand what theory needs to explain.

Textbook

There is no required textbook for this class. If you would like to do any additional reading, here is a list of useful books:

- Beck, Kerry E., Asset pricing and portfolio theory, Oxford University Press
Class Notes

http://www.janschneider.website/teaching/asset_pricing.html

Requirements

Classroom presentations count 50% towards your grade.
We will have a mid-term and a final exam. Each exam counts 25% towards your grade.

Tentative List of Papers

2. Tobin, James, 1958, Liquidity preference as behavior towards risk, Review of Economic Studies, 25, 65-86


