

12M004

Financial Economics

3 ECTS

Overview and Objectives

This course introduces the techniques of investment and general equilibrium under uncertainty and presents some classical asset pricing models in static economies. The course also covers the basic techniques and models of asset pricing and valuation of derivative securities in dynamic economies.

Course Outline

1. Investment under Uncertainty.
2. The Valuation of Contingent Claims.
3. Mean-Variance Analysis and Classical Asset Pricing Models (CAPM and APT).
4. Dynamic Portfolio Selection and Asset Pricing.
5. Interest Rates, Forwards, Futures and Options.

Required Activities

Five problem sets.

Evaluation

Final Exam (80%), Problem Sets (20%).

Materials

- Campbell, J. Y., *Financial Decisions and Markets: A Course in Asset Pricing*. Princeton University Press.
- Cochrane, J. H., *Asset Pricing*. Princeton University Press.
- Huang, C.F. and R.H. Litzenberger, *Foundations for Financial Economics*. North-Holland.
- Pennacchi, G., *Theory of Asset Pricing*. Pearson Addison Wesley.