

Course ID Empirical Asset Pricing: Time Series Predictability and Monetary Policy

1. Course details

Semester:	2
Credit rating:	1
Pre-requisite(s):	<p>This course is intended for Ph.D. students in finance and economics, and I will assume knowledge of first-year Ph.D.-level microeconomics, macroeconomics and econometrics. Ideally, all students have some familiarity with the basic Breeden{Lucas{Rubinstein consumption based asset pricing model.</p> <p>Course Materials</p>
Lecturer(s):	Michael Weber
Administrator:	Roswitha Glorieux
Tutor(s):	
Seminar times and rooms:	22 April and 13 May
Tutorial times and rooms:	To be defined
Communications	It is important that students should regularly read their University e-mails, as important information will normally be communicated this way.
Mode of assessment:	
Examination Periods:	Participation and presentations
Course WebPage:	Moodle.uni.lu

2. Aims and objectives

Course description/Aim

This course is an introduction to empirical asset pricing, with focus on return predictability and the intersection of monetary policy and asset prices. Because good empirical work is always guided by theory, we will begin by reviewing some basic asset pricing theory, and move on to discuss a number of empirical regularities. We then discuss a few recent empirical papers in these literatures.

Thus, our focus will be on empirical evidence that both is guided by existing theory, and provides an important roadmap for future inquiry.

A central ingredient of the class are student presentations. Students have two options: (i) present their own ongoing work; (ii) present current papers marked with an (*).

Presentations of own work will be 20 minutes per student. Students should prepare slides for a 15 minutes presentation to leave room for ample discussion and interaction with fellow students. It is totally fine to present papers that are preliminary and early work. Presentations of papers marked with a (*) are group presentations of up to three students. These presentations are 45 minutes per paper.

Students should briefly summarize the core findings and then move on to a critical discussion of the paper. I expected the presentations to then lead a group discussion involving all students. Aim of the exercise is to spur possible ideas for future research.

Time permitting and conditional on demand I will also give some insights into the academic job market including application process, elevator pitches, how to prepare an interview "spiel", the actual interview process, flyouts, and ultimately offers.

Learning Objectives

1. Be familiar with empirical and theoretical methods used in modern empirical pricing
2. Understand and critically evaluate research to improve future research

3. Plan of semester

1st day /4 /2019

9:00am-10:30am

10:45am-12:15am

1:00pm-2:30pm

2:45pm-4:15pm

4:30pm-6:00pm

2nd day 13/05/2019

9:00am-10:30am

10:45am-1:45am

2:45pm-4:15pm

4:30pm-6:00pm

4. Course details (by topics)

(Required readings are denoted by "R", optional readings by "O", papers for presentations by *.)

- **Block One and Two: XX Return predictability, random walk hypothesis, present value relations, log-linear approximation**

Course Outline and Introduction:

CLM, chapters 2,7 (R)

JC, chapter 20.1 (R)

Campbell (2003) (O)

Campbell and Shiller (1988) (O)

- **Block Three and Four: Volatility tests, long horizon regressions, Introduction to volatility tests, long-horizon regressions, and VAR models**

Introduction to volatility tests, long-horizon regressions, and VARs:

JC, chapter 11.4 (R)

Campbell (1991) (R)

Hodrick (1992) (R)

Valkanov (2003) (O)

Cochrane (1992) (O)

Stambaugh (1999) (O)

Lewellen (2004) (O)

SHILLER (1981) (O)

- **Block Five: Cointegration, permanent-transitory decomposition**

Introduction to the permanent transitory decomposition of stock returns

Cochrane (1994) (R)

Lettau and Ludvigson (2001) (R)

Lettau and Ludvigson (2004) (R)

Lettau and Ludvigson (2005) (O)

- **Block Six: Cointegration, permanent-transitory decomposition cont.**

Introduction to the permanent transitory decomposition of stock returns

Cochrane (1994) (R)

Lettau and Ludvigson (2001) (R)

Lettau and Ludvigson (2004) (R)

Lettau and Ludvigson (2005) (O)

- **Block Seven and Eight: Monetary Policy and Asset Prices**

Introduction to Monetary Policy and Asset Prices

Bernanke and Kuttner (2005) (R)

Gurkaynak, Sack, and Swanson (2005) (R)

- **Block Nine and Ten: Recent Advances on Monetary Policy and Asset Prices**

Overview of recent empirical papers

Lucca and Moench (2015) (R)

Neuhierl and Weber (2017) (R)

Ozdagli and Weber (2017) (R)

Neuhierl and Weber (2018) (R)

Reference list/ Bibliography

Required Text

Cochrane, John H., Asset Pricing (revised Edition), Princeton University Press, 2005 (JC).

Recommended Texts

Campbell, John Y. and Lo, Andrew W.-C. and MacKinlay, A. Craig, The Econometrics of Financial Markets, Princeton University Press, 1997 (CLM).

Pedersen, Lasse, Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined, Princeton University Press, 2015 (LP).

Campbell, John Y., Financial Decisions and Markets: A Course in Asset Pricing, Princeton University Press, 2017 (C).

The recommended text will not be explicitly employed in the course, but provides additional

insight into some of the topics covered.

In addition, I will refer to a series of recent papers.

Lecture Slides and Handouts

I will distribute the lecture slides before class. The notes contain an outline of the course discussion and some detail on the topics covered. However, much of the class discussion will add value to the notes and texts. Hence, it is imperative that students attend the course and participate in the discussion.

5. Further information about assessment

Examination(s)	1	
Weighting:	Class participation	presentations
Date:		
Length:		

Structure:

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