

Asset Pricing

1. Course details

Semester:	2
Credit rating:	1 ECTS-15TU
Pre-requisite(s):	Advanced Macroeconomics and Advanced Financial Theory (MSc in Quantitative Economics and Finance) is recommended
Lecturer(s):	Julien Pénasse (University of Luxembourg)
Administrator:	Roswitha Glorieux
Tutor(s):	
Seminar times and rooms:	TBA
Tutorial times and rooms:	
Communications	It is important that students regularly read their University e-mails, as important information will normally be communicated this way.
Mode of assessment:	oral exam and/or student presentations, and assignments
Examination Periods:	
Course WebPage:	Moodle.uni.lu

2. Aims and objectives

This Ph.D. course introduces students to the theoretical and empirical literature on asset pricing. Asset pricing is the study of asset prices over time (why do prices move so much over time?) and on average (why do some assets deliver higher average returns?). Understanding asset prices is important for policy makers, bankers, and the general public. This course covers selected topics in asset pricing with an emphasis on linking asset prices to macroeconomic outcomes (aka macrofinance). As such, the class will begin by linking asset prices to the theory of consumption in dynamic representative agent models. We will then cover the basic consumption asset pricing model (i.e. power-utility, i.i.d. lognormal consumption growth, representative agent). This basic model is at odds with a number of key empirical regularities, which motivates richer models featuring different time series processes for consumption, different preferences, etc. We will cover some implications of these models for equity prices, but also for bonds, and currencies. The class will also provide opportunities for student to receive feedback on their own ideas, as well as help them work on their presentation skills.

Learning Objectives

Students who successfully complete this course will have a thorough understanding of both classic and current research in asset pricing. They will be able to read, understand and replicate cutting-edge research papers in the subject, as well as evaluate their respective contributions. They will understand what questions researchers find interesting and why and how to find ideas on their own. Finally, they will know how to use the ideas and techniques in their own research.

3. Plan of semester : Fridays March 3-24,2023 and April 18 and 25 room A17/ sessions April: Room A16

- Lecture 1: Consumption-based asset pricing I. The standard model and classic puzzles.
 - Campbell, chap 5-6.
- Lecture 2: Consumption-based asset pricing II. Habit Formation, Recursive preferences and long-run risk, rare disasters.
 - Campbell, chap 6.
- Lecture 3: Factor models and the factor zoo
 - Cochrane, J. H. (2011). Presidential address: Discount rates. *Journal of finance*, 66(4), 1047-1108.
- Lecture 4: Fixed-Income Securities and Currencies
 - Campbell, chap 8.
- Lecture 5: Asymmetric Information and Speculation
 - Campbell, chap 12.
- Lecture 6: Student presentations

4. Course details

The readings for the course consist of a combination of textbook chapters, published articles, working papers. The main textbooks are:

- Campbell, J. Y. (2017). *Financial decisions and markets: a course in asset pricing*. Princeton University Press.
- Cochrane, J. H. (2005). *Asset pricing: Revised edition*. Princeton university press.

You may also find these resources useful:

- Gourio, F (2010), Lecture notes on Macroeconomics and Finance, <https://sites.google.com/site/fgourio/teaching-notes>
- Ljungqvist, L. & Sargent, T. J., (2000). *Recursive macroeconomic theory*, Massachusetts Institute of Technology.
- Williamson, S. D. (2006). *Notes on Macroeconomic Theory*.
- Koijen R. S. J. & Van Nieuwerburgh, S. G. (2021), *PhD Notes: Empirical Asset Pricing*. <https://www.koijen.net/phd-notes-empirical-asset-pricing.html>

5. Further information about assessment

Examination(s)	1	
Weighting:		
Date:	TBA	
Length:		
Structure:	Pass/Fail	