

12M004

3 ECTS

Financial Economics

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 under discrete time.

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

Problem sets.

Evaluation

The grade will be based on the problem sets and, mainly, on a final exam.

Materials

- 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.