Dynamic Asset Pricing

Academic Year: (2019 / 2020) **Review date: 28-04-2020**

Department assigned to the subject: Business Administration Department

Coordinating teacher: SERRANO JIMENEZ, PEDRO JOSE

Type: Electives ECTS Credits : 5.0

Year : 1 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Financial Economics, Quantitative Methods I & II

OBJECTIVES

- To know the main approaches for pricing assets
- Empirical analysis of the most relevant asset pricing models in the financial literature

DESCRIPTION OF CONTENTS: PROGRAMME

-Stochastic discount factor and pricing equation
-Consumption asset pricing model and the puzzle of the risk premium
-Empirical evidence of pricing models
-Pricing models with habit preferences
-Continuous time pricing: Ito's lemma and the Girsanov theorem
-Stochastic differential equations and the Black-Scholes model
-Derivative pricing. Applications.

LEARNING ACTIVITIES AND METHODOLOGY

Individual meetings with students for advising purposes

ASSESSMENT SYSTEM

First call:
60% - Final exam
40% - Individual and group assigments

Second call:
Best of these two options:
Option A:
60% - Final exam
40% - Individual and group assigments

Option B:
100% - Final exam

% end-of-term-examination:	60
% of continuous assessment (assigments, laboratory, practicals…):	40

BASIC BIBLIOGRAPHY

- John H. Cochrane Asset Pricing (revised edition), Princeton University Press, 2005

ADDITIONAL BIBLIOGRAPHY

- Hamilton, J.D. Time series analysis, Princeton University Press, 1994