

Dynamic Asset Pricing

Academic Year: (2023 / 2024)

Review date: 17-05-2022

Department assigned to the subject: Business Administration Department

Coordinating teacher: KARALAS , GEORGIOS

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 (with emphasis to dynamic models)
- To know the main estimation techniques for asset pricing models
- To become familiar with the main asset pricing research questions through the examination of the related literature

DESCRIPTION OF CONTENTS: PROGRAMME

- The fundamental theory of asset pricing, state prices, state-price density and equivalent martingale measure
- Dynamically complete markets and arbitrage pricing
- Derivative pricing
- Principles of portfolio choice (martingale approach and dynamic programming approach)
- Contingent claims and security markets equilibrium (consumption CAPM and intertemporal CAPM)
- Generalized Methods of Moments (GMM) estimation technique
- Asset pricing regression techniques (time-series, cross-sectional)
- Empirical evaluation of asset pricing factor models

LEARNING ACTIVITIES AND METHODOLOGY

This course includes

- 1.- Theoretical classes, where the different concepts are explained and discussed
- 2.- Exercise sets, for which feedback is provided (including empirical estimation of asset pricing models)

ASSESSMENT SYSTEM

First call:

70% - Final exam

30% - Individual assignments

Second call:

100% - Final exam

% end-of-term-examination:	70
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% of continuous assessment (assignments, laboratory, practicals...):	30
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BASIC BIBLIOGRAPHY

- Darrell Duffie Dynamic Asset Pricing Theory: Third Edition, Princeton University Press, 2001
- John H. Cochrane Asset Pricing (revised edition), Princeton University Press, 2005

ADDITIONAL BIBLIOGRAPHY

- John Y. Campbell, Andrew W. Lo and A. Craig MacKinlay The Econometrics of Financial Markets , Princeton University Press, 1996
- Mitchell A. Petersen Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches, The Review of Financial Studies, 2009

