Syllabus

Fin304f: Asset Pricing

Key information

Instructor

• Blake LeBaron
• blebaron@brandeis.edu
• http://www.brandeis.edu/~blebaron
• Sachar 204, 736-2258
• Office hours: (TBA)

TA

• None

Times:

Class Times: Monday, 9:30-12:30, Chancellor’s suite

Detailed information

Course Description

This course is an advanced Ph.D. level class in asset pricing. It covers the basic theory necessary for Ph.D. students needing the core pieces of asset pricing theory. It will also touch on several topics of empirical asset pricing in the short time available. The course leans more to the area of macro connections for asset pricing, than pure finance. It is very much a theory and econometrics class. It is not suitable for masters students interested in applications of modern portfolio analysis. The full first year Ph.D. course sequence in microeconomics, macroeconomics, and econometrics is a core prerequisite.

Learning Goals

1. Stochastic discount factor framework
2. Core asset pricing models (CAPM, APT)
3. Consumption based asset pricing
4. Macro finance and the equity premium puzzle
5. Empirical asset pricing
6. Fama/Macbeth regression
7. Factor sorts and portfolio construction
8. Modern factor features in asset returns

Prerequisites:

This class is a second year PhD class, and builds off the entire first year of the PhD program. These classes are completely necessary to take the class.

1. Econ301, 302, 303, 304 are absolutely essential
2. Econ311 is also essential

Required Readings:


Blogs

We will be using many video lectures from John Cochrane’s website. In many ways this will be a flipped class with some lectures on the web and classroom discussion designed around this.

Grading

Grades will be based on:

1. Problem sets (50%)
2. Final exam (50%)

Rules and responsibilities

Communications

You are responsible for all announcements and materials in class. Also, much of the information in class will be sent over Latte and the class website.

Rules specific to Fin304f

- Exams
◦ Your own work.
◦ Closed book (no notes).
◦ No laptops, no cell phones, no calculators, no pda’s.

• Problem sets
  ◦ Hand in your own work.
  ◦ Can talk and assist each other.
  ◦ Use all resources.

Academic Integrity

You are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at LTS - Library guides.

Work Load

Success in this two - credit course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, etc.)

Disability Statement

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately.

Fall calendar dates

• First day of classes: August 30
• Last day of classes: Dec 8
• No class:
  ◦ Sept 4
  ◦ Sept 21-22
  ◦ Oct 5
Oct 12
Nov 22-24

- Brandeis days
  - Oct 3: Thursday schedule
  - Oct 11: Thursday schedule

- Module dates:
  - Sept 11, Sept 18, Sept 25, Oct 2, Oct 9, Oct 16, Oct 23 (exam)

Course Outline

1. Introduction

2. Stochastic discount factor framework (C 1-4)

3. Mean/variance structure (C 5-6)

4. Factor pricing models and conditioning information (C 8-9)

5. Empirical preliminaries (skim BEM 1-4)

6. Portfolios and sorts (BEM 5)

7. Fama/Macbeth regression (BEM 6)

8. Cross sectional features (BEM 7-11), skim (BEM 12-18)

   1. Beta
   2. Size
   3. Value
   4. Momentum