

**Syllabus for  
Financial Economics (MSc Economics)  
Asset Pricing I (VGSF)  
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**Course contents:** We will start with a review of preliminaries (risk aversion, etc.) and then work through the following topics:

- The consumption capital asset pricing model
- No arbitrage pricing
- Bounds on the pricing kernel and market efficiency
- Factor models: the capital asset pricing model and the arbitrage pricing theory
- Financial innovation and market structure

In the last part of the course, we will also talk about an important result in corporate finance, i.e. the Modigliani-Miller theorem. Time permitting, we will conclude with a discussion of empirical asset pricing.

**Required reading:**

- my slides
- Danthine and Donaldson, 2005, Intermediate Financial Theory, Elsevier Academic Press, chapters 6-13.
- Ross, 2005, Neoclassical Finance, Princeton University Press, chapters 1-3
- Cochrane, 2001, Asset Pricing, Princeton University Press, chapters 1, 8 and 9

The first book is quite easy reading, and also reviews a lot of material that should be known from prior courses. The second book is a short introduction to asset pricing on the graduate level. We will draw on the third book in order to discuss the consumption based asset pricing model and factor models.