Fisher College of Business
THE OHIO STATE UNIVERSITY

BUSFIN 8210: Asset Pricing Finance
Autumn 2017

Last updated: July 14, 2017

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Meeting time and place: MoWe 3–4:30pm, Fisher Hall 700.
Office hours: Open door policy

1 Overview

This course aims to build a solid foundation in asset pricing theory for doctoral students in finance and related fields.

2 Grading

Your grades will depend on three aspects of your performance:

- Final exam: 70%
- Class discussion: 30%

3 Course Outline

The required textbook is Cochrane, 2005, Asset pricing, revision edition. The recommended textbook is Ang, 2014, Asset management: A systematic approach to factor investing. Also, I strongly recommend that you study thoroughly MBA level textbooks, such as Berk and DeMarzo's Corporate Finance, and Bodie, Kane, and Marcus's Investments.

3.1 Cochrane (2005, Asset Pricing)

Lecture notes:

Chapter 1. Consumption-based model and overview

Chapter 2. Applying the basic model

Chapter 3. Contingent claims markets

Chapter 4. The discount factor

Chapter 6. Relation between discount factors, betas, and mean-variance frontiers

Chapter 7. Implications of existence and equivalence theorems

Chapter 8. Conditioning information

Chapter 9. Factor pricing models

Chapter 10. GMM in explicit discount factor models

Lecture notes on Sargent and Lundquist (2012, Recursive Macroeconomic Theory, Chapter 8. Equilibrium with complete markets)

Related articles:

Arrow, 1964, The role of securities in the optimal allocation of risk-bearing, *Review of Economic Studies*

Breeden, 1979, An intertemporal asset pricing model with stochastic consumption and investment opportunities, *Journal of Financial Economics*

Breeden, Gibbons, and Litzenberger, 1989, Empirical tests of the consumption-oriented CAPM, *Journal of Finance*

Constantinides, 1982, Intertemporal asset pricing with heterogeneous consumers and without demand aggregation, *Journal of Business*

Hansen, Lars Peter, and Kenneth J. Singleton, 1982, Generalized instrumental variables estimation of nonlinear rational expectations models, *Econometrica* 50, 1269–1288.

Lucas, 1978, Asset prices in an exchange economy, *Econometrica*

Mehra, R., and Edward Prescott, 1985, The equity premium: A puzzle, *Journal of Monetary Economics* 15, 145–161.

Rubinstein, 1974, An aggregation theorem for securities markets, *Journal of Financial Economics*

Rubinstein, 1976, The valuation of uncertain income streams and the pricing of options, *Bell Journal of Economics*

3.2 Recent Developments in the Consumption CAPM

Bansal, Ravi, and Amir Yaron, 2004, Risk for the long run: A potential resolution of asset pricing puzzles, *Journal of Finance.*

Bansal, Ravi, Dana Kiku, and Amir Yaron, 2012, An empirical evaluation of the long-run risks model of asset prices, *Critical Finance Review.*

Barro Robert J., 2006, Rare disasters and asset markets in the twentieth century, *Quarterly Journal of Economics.*

Barro, Robert J., and Jose Ursua, 2008, Macroeconomic Crises since 1870, *Brookings Papers on Economic Activity.*

Beeler and Campbell, 2012, The long-run risks model and aggregate asset prices: An empirical assessment, *Critical Finance Review.*

Campbell and Cochrane, 1999, By force of habit: A consumption-based explanation of aggregate stock market behavior, *Journal of Political Economy.*

Jagannathan and Wang, 2007, Lazy investors, discretionary consumption, and the cross-section of stock returns, *Journal of Finance.*

Nakamura, Steinsson, Barro, and Ursua, 2013, Crises and recoveries in an empirical model of consumption disasters, *American Economic Journal: Macroeconomics.*