PhD course training course

Advanced Asset Pricing and Interest-rate Models
20 lectures
Richard C. Stapleton

Objectives

Lecture Topics:

1. Utility theory and stochastic dominance:
   HL ch 2
2. Risk aversion and the pricing kernel:
   PS, ch 2
3. Background risk and optimal demand for risky assets:
   EGS,
4. Option pricing: extensions to the Black-Scholes model:
   PS ch 4, C ch 18
5. Forward and futures prices of contingent claims:
   PS ch 6, part 2
6. Convexity and the pricing of interest-rate derivatives:
   H ch 21, 22
7. Term structure of interest rates and bond pricing:
   C ch 19
8. Interest-rate models: Spot- rate and Forward-rate models:
   H, ch 23, PS, ch 7

Reading

Poon and Stapleton, *Asset Pricing in Discrete Time* (PS)
Cochrane, *Asset Pricing* (C)
Huang and Litzenberger, *Foundations of Financial Economics*, (HL)
Eeckhoudt, Gollier and Schlesinger, *Economic and Financial Decisions Under Risk*, Princeton UP, 2005 (EGS)
Hull, *Options, Futures and Other Derivatives* (H)