

Research Methods in Finance

Topics:

1. No arbitrage, Risk-neutral measures and Asset Pricing
 - * Huang and Litzenberger (HL), Foundations of Financial Economics, North Holland, 1988, ch 1, 4
 - * Pliska, Introduction to Mathematical Finance, Blackwell 1997, ch 1, 2
2. Expected Utility, Risk aversion and Background risk
 - * Stapleton, R. C., 'Some Recent Developments in Capital Market Theory: A Survey', Spanish Economic Review, 1, 1-20,
 - * Franke, Stapleton and Subrahmanyam (1998), 'Who Buys and Who Sells Options', Journal of Economic Theory
3. Option Pricing: Discrete time models
 - * HL, ch 6
 - * Brennan (1979), "The Pricing of Contingent Claims in Discrete Time Models", Journal of Finance, 34, 53-68.
 - Rubinstein, M., 1976, "The Valuation of Uncertain Income Streams and the Pricing of Options", Bell Journal of Economics and Management Science, 7, 407-425.
 - * Franke, Stapleton and Subrahmanyam (1999) "When are Options Overpriced?" European Finance Review, 3, 79-102
4. Multi-period models of asset pricing
 - * HL, ch 6, 7
 - * Pliska, ch 6
 - Stapleton and Subrahmanyam (1990), Review of Financial Studies, 3, 677-693
 - Stapleton and Subrahmanyam, 'A Multiperiod Capital Asset Pricing Model', Econometrica, (1978)
5. Futures and forward prices
 - * Cox, J.C., J.E. Ingersoll, and S.A. Ross (1981), "The Relationship Between Forward Prices and Futures Prices", Journal of Financial Economics, 9, 1981, 321-46.
 - Satchel, Stapleton and Subrahmanyam (1997), Australian Journal of Management

6. Term-structure models.

* Ho, T.S.Y. and S.B. Lee (1986), "Term Structure Movements and Pricing of Interest Rate Claims," *Journal of Finance*, 41, December, 1011--1029.

* Vasicek, O., (1977), "An Equilibrium Characterization of the Term Structure", *Journal of Financial Economics*, 5, 177--188.

Stapleton, R.C. and M.G. Subrahmanyam (2001) "The Term Structure of Interest-Rate Futures Prices", working paper, New York University.

Brace, A., D. Gatarek, and M. Musiela, (1997), ``The Market Model of Interest Rate Dynamics'', *Mathematical Finance*, **{\bf 7}**, 127--155.

Dai, Q. and Singleton, K.J., (2000) ``Specification Analysis of Affine Term Structure'', *Journal of Finance*, 55, 1943--78.

Heath, D., R.A. Jarrow, and A. Morton (1992), ``Bond Pricing and the Term Structure of Interest Rates: A New Methodology for Contingent Claims Valuation,'' *Econometrica*, 60, 1, January, 77--105.