FGV | SAO PAULO SCHOOL OF ECONOMICS

Syllabus

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Course: Empirical Asset Pricing
Professor: Marcelo Fernandes

SECOND SEMESTER, 2020

PROGRAM

The aim is not only to familiarize students with the main empirical stylized facts in asset pricing, but also to prepare them to do research on their own. We will discuss and critically evaluate empirical works, and provide students with tools to carry out research in the area.

Students are required to prepare for each session by reading the relevant material. Please give each reading serious thought, thinking about the connections among the different articles.

Apart from lectures, students will have to choose a research paper in asset pricing to present, critically assess and replicate. The in-class presentation should rest on slides prepared by the student and submitted as part of the assessment, and presenters should be prepared to respond to questions. Students will also write a mock referee report on the selected paper. The report should include a summary of the paper's content and place in the relevant literature, a critical assessment of its contribution, and suggestions for improvement. The indicative length of the referee report is 1500 words (i.e., approximately 6 pages). Finally, students will have to carry out an empirical application (or simulations) intimately connected to the selected research paper.

BIBLIOGRAPHY

No textbook covers every topic that we will discuss in this course. The list below offers only some incomplete reading material. Students will have to read many individual papers as well.

Bali, Engle & Murray (2017) Empirical Asset Pricing: The Cross-Section of Stock Returns
Cochrane (2005) Asset Pricing, Princeton University Press.
Campbell, Lo & MacKinlay (1997) The Econometrics of Financial Markets, Princeton University Press.
Cuthberson & Nitzsche (2004) Quantitative Financial Economics, Wiley.
Mele (2018) Financial Economics: A Comprehensive View, MIT.
Singleton (2006) Empirical Dynamic Asset Pricing, Princeton University Press.
Sollis (2012) Empirical Finance, Wiley.
Veronesi (2010) Fixed Income Securities, Wiley.

GRADING

In-class presentation:	20%
Mock referee report:	30%
Empirical work:	40%
In-class participation:	10%

PROFESSOR - EMAIL

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DETAILED PROGRAM

Topic	Basic Reference
Overview of SDF and factor pricing models	Cochrane, chapters 6 to 9 + CLMcK, chapters 5 and 6
Performance analysis and attribution	CN, chapter 9
Efficient market hypothesis	CLMcK, chapter 1
Event study analysis	CLMcK, chapter 4
Present-value models	CLMcK, chapter 7
Good beta, bad beta	Campbell & Vuolteenaho, AER 2004
Predictability	CLMcK, chapter 2 + Pastor & Stambaugh, JF 2009
Machine learning in asset pricing	Chinco et al (2017), Gu et Al. (2018)
Market microstructures	CLMcK, chapter 3
Asymmetric information	Easley & O'Hara, JF 1992
Asset pricing at the high frequency	Russell & Engle, HFE 2004
High-frequency trading	Menkveld, ARFE 2018
Fixed-income instruments	Veronesi, chapters 2, 3, 9, 10 and 11
Credit markets + subprime crisis	Mele, chapter 14