

Module 2 – (ch10) Capital Markets and the Pricing of Risk

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Note: This summary will be delivered **in printed form only**. No PDF version is available.

Overview

This summary covers the key points from Ch. 10 of *Berk & DeMarzo*.

- 1) **Risk and Return Over Time**
Historical evidence on stocks, bonds, and risk-free assets. Includes Brazilian data (IBOV vs Selic).
- 2) **Measuring Risk**
Expected return, variance, and standard deviation. Why volatility matters and when it fails.
- 3) **Diversification and Systematic Risk**
Firm-specific vs. market risk. Only systematic risk remains in diversified portfolios.
- 4) **Beta and the Cost of Capital**
Beta as a measure of market sensitivity. Introduction to CAPM and its use to estimate expected return and cost of capital.

Scan to Access Online Class Resources



Slides



T/F



Numeric



MCQ



Long-form

Notes