

Topics in Asset Pricing

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December 14, 2022

What follows is the list of topics and related readings for the first nine lectures of the class. Some of the lectures will be supplemented with material in Jupyter notebooks including access to computer codes for some of the homework exercises. Several of the “Hansen” papers are close to being surveys and contain further important references.

1. Term structure of uncertainty and pricing (1.5 lectures)

- (a) martingales and stochastic discounting
- (b) shock elasticities and impulse response functions

References: Hansen (2012), Borovička et al. (2014), Borovička and Hansen (2016), Hansen (2021)

2. Recursive preferences under uncertainty (2 lectures)

- (a) recursive utility and misspecification aversion
- (b) ambiguity aversion
- (c) asset pricing illustrations

References: Campbell and Vuolteenaho (2004), Epstein and Zin (1991), Duffie and Epstein (1992), Hansen and Sargent (2001), Chen and Epstein (2002), Collin-Dufresne et al. (2016), Hansen and Miao (2018), Hansen and Sargent (2019), Hansen and Sargent (2021), Hansen and Sargent (2022)

3. Asset pricing and production economies (4 lectures)

- (a) single capital stock economies
- (b) two capital stock economies with costly reallocation
- (c) two consumer types with financial market restrictions

References: Hansen et al. (1999), Basak and Cuoco (1998), Hansen et al. (2008), He and Krishnamurthy (2013), Brunnermeier and Sannikov (2014), Eberly and Wang (2012)

4. Assessing asset pricing models in the presence of misspecification (1.5 lectures)

References: Hansen et al. (1995), Hansen and Jagannathan (1997), Chen et al. (2021)

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