University of North Carolina at Charlotte
Belk College of Business

BPHD 8200 – 001 FINANCIAL ECONOMIC THEORY I
Fall 2019

Course Time: Monday 12:20 - 3:05 pm
Location: Friday Building 207
Professor: Dr. Yufeng Han
Office Location: Friday Building 340A
Telephone: (704) 687-8773
E-mail: yhan15@uncc.edu
Office Hours: by appointment

Course Description:

This course offers a theoretical treatment of some fundamental topics in asset pricing theory in a discrete-time setting. The topics include: Optimal Portfolio Choice and Mean-Variance Analysis, Market Equilibrium and CAPM, APT, and Consumption Models, Multiperiod Dynamic Portfolio Choice and Market Equilibrium Models.

Course Objective:

This first year PhD course mainly emphasizes the fundamental ideas, mathematical techniques and main results in asset pricing theory. It provides solid background to more advanced topics of financial economics.

Textbook:

Foundations for Financial Economics,
Huang, Chi-fu, and Robert H. Litzenberger,
Theory of Financial Decision Making,
Ingersoll, Jonathan E.,

Reference Books:

Asset pricing,
Cochrane, John H.,

Theory of Asset Pricing,
George Pennacchi,

Asset Pricing and Portfolio Choice Theory, 2nd edition
Kerry Back,
Oxford University Press, 2017

Topics Schedules:

1. Expected Utility Representation, Risk Aversion
2. Stochastic Dominance
3. Mean-Variance Analysis
4. Fund Separation and CAPM
5. Arbitrage Pricing Theory
6. Arbitrage and Fundamental Theorem of Asset Pricing
7. Complete Markets, State Prices, and Pareto Efficient Allocation
8. Valuation of Options in Complete Markets
9. Discrete-Time Intertemporal Finance
10. Martingale Measures
Readings:

1. Expected Utility Representation, Risk Aversion
   Huang-Litzenberge Ch 2 & Ingersoll Ch 1, 5

2. Stochastic Dominance
   Huang-Litzenberge Ch 2 & Ingersoll Ch 5

3. Mean-Variance Analysis
   Huang-Litzenberge Ch 3 & Ingersoll Ch 4

4. Fund Separation and CAPM
   Huang-Litzenberge Ch 4 & Ingersoll Ch 4 and 6

5. Arbitrage Pricing Theory
   Huang-Litzenberge Ch 4 & Ingersoll Ch 7

6. Arbitrage and Fundamental Theorem of Asset Pricing
   Ingersoll Ch 2

7. Complete Markets, State Prices, and Pareto Efficient Allocation
   Huang-Litzenberge Ch 5 & Ingersoll Ch 8 and 9

8. Valuation of Options in Complete Markets
   Huang-Litzenberge Ch 6 & Ingersoll Ch 14

9. Discrete-Time Intertemporal Finance
   Huang-Litzenberge Ch 7 & Ingersoll Ch 11

10. Martingale Measures
    Huang-Litzenberge Ch 8 & Ingersoll Ch 10
Course Assessment:

Homework assignments and two exams.

Grading:

Homework 30%
Exam 1 35% (10th week)
Exam 2 35% (Final week)

Academic Honesty:

All students are required to read and abide by the Code of Student Academic Integrity. This Code forbids cheating, fabrication or falsification of information, multiple submission of academic work, plagiarism, abuse of academic materials (such as Library books on reserve), and complicity in academic dishonesty (helping others to violate the Code). Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code. Definitions and examples of plagiarism are set forth in the Code. The Code is available from the Dean of Students Office or online at http://www.legal.uncc.edu/policies/ps-105.html.

Accommodations for Disability:

Students with disabilities requiring accommodations, must first contact the Office of Disability Services (phone 704-687-4355, 230 Fretwell Building). The staff will assist you in both determining reasonable accommodations as well as coordinating these accommodations.

Belk College Statement on Diversity:

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.