BPHD 8200 – 001 FINANCIAL ECONOMIC THEORY

Fall 2017

Course Time: Tuesday 12:30 - 3:15 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:

Theory of Asset Pricing,
George Pennacchi,

Course Assessment:

Regular homework assignments and two exams.
Grading:

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<th>Component</th>
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<tr>
<td>Homework</td>
<td>30%</td>
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<tr>
<td>Exam 1</td>
<td>35%</td>
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<td>Exam 2</td>
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**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](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.

**Recommended Reading Articles:**

**Part I. Single-Period Portfolio Choice and Asset Pricing**

*Expected Utility and Risk Aversion:*


**Mean-Variance Analysis**


**The CAPM, Arbitrage, and Linear Factor Models**


**Consumption-Savings Decisions and State Pricing**


**Part II. Multiperiod Consumption, Portfolio Choice, and Asset Pricing**

**A Multiperiod Discrete Time Model of Consumption and Portfolio Choice**


**Multiperiod Market Equilibrium**

Lucas, R.E. Asset Prices in an Exchange Economy. *Econometrica* 46 (1978), 1429-
1445. 20, 381{408, 1979.


**Topics Schedules:**

- Week 1 – 2: Expected Utility and Risk Aversion
- Week 3 – 4: Mean-Variance Analysis
- Week 5 – 6: CAPM, Arbitrage and Linear Factor Models
- Week 7 – 9: Consumption-Savings Decisions and State Pricing (Week 8: Fall break)
- Week 10: Exam 1
- Week 11 – 13 Dynamic Portfolio Choice
- Week 14 – 16: Dynamic Equilibrium Models
- Week 17: Exam 2