Course Description

The objective of this course is to undertake a comprehensive study of the theoretical foundations of modern financial economics in discrete-time (as opposed to continuous time) settings.

The course covers the central themes of modern finance including investor preferences, investment decisions under uncertainty, mean-variance theory, dynamic capital-market equilibrium, stochastic discount factor models, and asset valuation.
Course Goals

Upon completing this course, students will acquire the understanding of the major theoretical results concerning individuals' consumption and portfolio decisions under uncertainty and their implications for security valuations.

While some of you have already been exposed to topical concepts such as mean variance analysis, preferences, and capital market asset pricing (CAPM), the content of this course considerably exceeds in both depth and breadth parallel topics studied in previous courses. While this is a Ph.D. level course, it targets highly gifted master level students who can be enthusiastic about understanding deep asset pricing theories and with sufficient quantitative background including distribution theory, matrix algebra, and calculus.

Grading

Assignments

We will have three homework assignments throughout the course. Students have to turn in each assignment at the beginning of the class in which it is due. Assignments should be made on an individual basis. Late assignments will not be accepted.

If you find it hard to write your assignments in English, you can submit them in Hebrew.

The assignments will be available on the course web site before they need to be submitted.

30% - Class participation
70% - Homework
Course Format:

We will have six meetings altogether. Each class will consist of a lecture. For the class to be interesting and stimulating, active participation of students is important. I expect students to ask meaningful questions related to the material studied in class as well as current finance issues, and to answer my own questions or questions raised by fellow students.

Reading List

Text Book: