



Course and Examination Fact Sheet: Spring Semester 2020

8,310: Asset Pricing

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Central - Written examination (70%, 90 mins.)

Decentral - Group examination paper (all given the same grades) (30%)

Attached courses

Timetable -- Language -- Lecturer

[8,310,1.00 Asset Pricing](#) -- Englisch -- [Fengler Matthias](#)

Course information

Course prerequisites

Good knowledge (and interest) in mathematics and statistics.

Learning objectives

Students understand the notion of a stochastic discount factor in asset pricing theory. They are familiar with the main asset pricing models and know how they can be tested.

Course content

The class provides an introduction into the theory of asset pricing.

The course is relevant for students with interest in the economics of asset pricing. The class covers choices under uncertainty, discrete-time asset valuation, contingent claim valuation, mean variance analysis, factor models, arbitrage pricing theory. Students learn how the various financial theories can be phrased using the notion of the stochastic discount factor and how they are empirically validated.

Course structure

1. Stochastic discount factor (SDF)
2. Some basics of utility theory
3. SDF and arbitrage free markets
4. Mean variance analysis
5. Discount factors, betas, and mv frontiers
6. The multiple time period SDF
7. Conditioning information
8. Factor pricing
9. Testing asset pricing models



Course literature

Core Books:

- Cochrane (2005): Asset Pricing, Revised Edition, Princeton University Press.

Additional references:

- LeRoy, Werner (2001): Principles of Financial Economics, Cambridge University Press.
- Lengwiler (2004): Microfoundations of Financial Economics: An Introduction to General Equilibrium Asset Pricing. Princeton Series in Finance.

Somewhat elder, but still very useful books:

- Huang, Litzenberger (1988): Foundations for Financial Economics, Prentice Hall.
- Ingersoll (1987): The Theory of Financial Decision Making, Rowman & Littlefield.

Additional course information

--

Examination information

Examination sub part/s

1. Examination sub part (1/2)

Examination time and form

Central - Written examination (70%, 90 mins.)

Remark

--

Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

--

Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/2)

Examination time and form

Decentral - Group examination paper (all given the same grades) (30%)

Remark



Assignments

Examination-aid rule

Term papers

- Term papers must be written without anyone else's help and in accordance with the known quotation standards, and they must contain a declaration of authorship.
- The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the APA or MLA standards. The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into the text in accordance with the precepts of the applicable quotation standard, while informative and bibliographical notes must be added as footnotes (recommendations and standards can be found, for example, in METZGER, C. (2017), Lern- und Arbeitsstrategien (12th ed., Cornelsen Schweiz).
- For any work written at the HSG, the indication of the page numbers both according to the MLA and the APA standard is never optional.
- Where there are no page numbers in sources, precise references must be provided in a different way: titles of chapters or sections, section numbers, acts, scenes, verses, etc.
- For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B. (2018, Juristisches Arbeiten: Eine Anleitung für Studierende (6. Auflage), Zürich: Schulthess, or the recommendations of the Law School).

Supplementary aids

--

Examination languages

Question language: English

Answer language: English

Examination content

Precise content of exam together with most relevant sources in the literature

1. Stochastic discount factor

a. C: 1-2

2. Some basics of utility theory

a. Utility theory -> Munk: 5, HL: 1

b. Habit formation -> C: 21.2

c. IES -> Lengwiler: 8.2.1-8.2.3

3. SDF and arbitrage free markets

a. C: 3-4

4. Mean variance analysis

a. C: 5

b. C: 4.3 (first part)

5. Discount factors, betas, and mv frontiers

a. C: 6-7

6. The multiple time period SDF

a. Hansen, Renault (2009)

7. Conditioning information



a. C: 8

8. Factor pricing

a. C: 9

9. Estimating and evaluating asset pricing models

a. C: 10-16

Supplement

1. Inner product space

a. LeRoy, Werner: 17

Examination relevant literature

Lecture notes, supplements and assignments as published on canvas by the end of the term.

Further literature:

Core Books:

- C: Cochrane (2005): Asset Pricing, Revised Edition, Princeton University Press.

Please note

Please note that this fact sheet alone is binding and has priority over any other information such as StudyNet (Canvas), personal databases or faculty members' websites and information provided in their lectures, etc.

Any possible references and links within the fact sheet to information provided by third parties are merely supplementary and informative in nature and are outside the University of St.Gallen's scope of responsibility and guarantee.

Documents and materials that have been submitted no later than the end of term time (CW21) are relevant to central examinations.

Binding nature of the fact sheet:

- Information about courses and examination time (central/decentral) and examination type starting from the beginning of the bidding on 23 January 2020
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for decentral examinations after the 4th semester week on 16 March 2020
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for central examinations as from the starting date for examination registration on 6 April 2020

Please consult the fact sheet again after these deadlines have expired.