

Asset Pricing
Module 3, 2020-2021
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Course description

The core of this course is CAPM and APT, as well as application of the theory to portfolio management. We also discuss performance measurement. The course is mostly case-based yet will go through simple econometric tools needed to apply to financial markets.

Course requirements, grading, and attendance policies

Statistics, mathematics.

The course grade is based on three home assignments (30%), case discussions and write-ups (20%), and final exam (50%).

Course contents

Week	Topic	Reading
1	Return and risk, mean-variance analysis. 1. Risk and reward 2. Diversification 3. Mean-variance theory	[1]
2	CAPM 1. Regressions and beta 2. CAPM	[2]
3	Performance measurement 1. Performance measures 2. Indices 3. Benchmarks	[3]
4	APT and multi-factor models 1. APT 2. Factor models 3. Empirical evidence	[4], [5]
5	Market efficiency 1. Market efficiency 2. Tactical vs strategic allocation 3. Life-cycle investments	[6]
6	Behavioral finance 1. Anomalies from behavioral view 2. Short squeezes and limits to arbitrage	[6], [7]
7	Forecasting and review session 1. Empirical evidence on return forecasts 2. Review	

Course materials

1. Ivo Welch "Investments", Chapters 9 and 10
2. Ivo Welch "Investments", Chapters 11 and 12
3. Ivo Welch "Investments", Chapters 13 and 14
4. Ivo Welch "Corporate Finance", Chapter 10
5. "Darden Capital Management: The Monticello Fund"
6. Ivo Welch "Corporate Finance", Chapter 11
7. "Global Asset Allocation: All That Glitters"

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.