

Course Outline

EE 433 Asset Pricing Theory

Semester 2/2021

Number of credits: 3 credits (3-0-6)

Instructor:



Asst. Prof. Dr. Wasin Siwasarit

Office: Room 455, Faculty of Economics

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Office hours: Tuesdays and Thursdays 13.30 – 14.30 hrs. (or by appointment)

Prerequisite: EC320 and EC311

Class Date, Time and Venue: TR 11.00-12.30 via Zoom Meeting/Faculty of Economics

Zoom ID: Join Zoom Meeting

<https://zoom.us/j/5687917661> Meeting ID: 568 791 7661

Enrollment key #BE Moodle: 1579 (<http://bemoodle.econ.tu.ac.th/>)

Course Description

Study concepts and frameworks of asset pricing theory in the intermediate level; the theory of choice under uncertainty; classical asset pricing theory in the discrete time such as the Capital Asset Pricing Model (CAPM), The Arbitrage Pricing Theory (APT), and The Consumption Capital Asset Pricing Model (C-CAPM); Empirical puzzles in asset pricing/returns and proposed resolutions in the literature.

Course Objectives

The aim of the course is to provide a broad understanding of the principles of asset pricing. In this class, I will start with a review of the theory of choice under uncertainty that you have learned in EC311. Then, we will develop classical asset pricing theory in the discrete time. In this class, the students will learn and discuss the empirical puzzles and recent theories that have been developed to try to solve these puzzles.

Course evaluation, grading criteria, grading system, and course rule

Evaluation

The grade breakdown is as follows:

Methods/Activities	Weights Assigned
Assignments	20%
Tests (3 tests)	10%
Mid-term Examination	25%
Participation and Class Contribution/Professionalism	10%
Final Examination	35%
Total	100%

Course Assessment

Raw Score	Grade
85-100	A
80-84	B+
75-79	B
70-74	C+
65-69	C
60-64	D+
55-59	D
<55	F

Passing Grade: You must score 55% or above to pass the course.

Grading system

Details of the grading system will be in accordance with Thammasat University's regulation for undergraduate studies.

Grade	A	B+	B	C+	C	D+	D	F
Points	4.00	3.5	3.00	2.5	2.00	1.5	1.00	0.00

Course rules

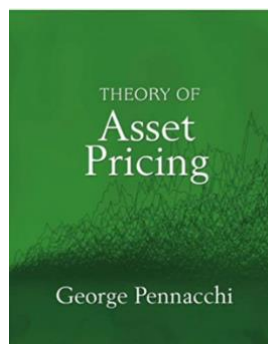
Attendance

According to Thammasat University's Regulations, any students attending class less than 80% of the total time. Students being absent from classes more than 20% of the total time are NOT eligible to take the final exams and results in course failure.

Reference materials

Main textbook

Pennacchi, G., 2008, Theory of Asset Pricing, Pearson Education, Boston, MA.



Recommended texts and materials

Back, K., 2017, Asset Pricing and Portfolio Choice Theory, Oxford University Press.

Campbell, J., 2018, Financial Decisions and Markets, Princeton University Press.

Cochrane, J., 2005, Asset Pricing, Princeton University Press.

Course plan

Session	Topic	Lecturer/ Reading
I: Single-Period Portfolio Choice and Asset Pricing		
Session 1-2:	Expected Utility and Risk Aversion	Chapter 1, Theory of Asset Pricing Machina, M., 1987, "Choice Under Uncertainty: Problems Solved and Unsolved," Journal of Economic Perspectives 1, 121-154. Rabin, M. and R. Thaler, 2001, "Risk Aversion," Journal of Economic Perspectives 15, 219-232.
Session 3-5:	Mean-Variance Analysis	Chapter 2, Theory of Asset Pricing Anderson, R. and J-P. Danthine, 1981, "Cross Hedging," Journal of Political Economy 89, 1182-1196.
FACULTY OF ECONOMICS THAMMASAT UNIVERSITY 2 PRACHAN ROAD, PHRANAKORN BANGKOK 10200 THAILAND WWW.BECON.TU.AC.TH B.E. INTERNATIONAL PROGRAM FAX: +66 (0) 2224 0150 PHONE: +66 (0) 2613 2437 TO 8 E-MAIL: BE@ECON.TU.AC.TH		

Session	Topic	Lecturer/ Reading
Session 4-6:	The CAPM, Arbitrage, and Linear Factor Models	Chapter 3, Theory of Asset Pricing Fama, E. and K. French, 2004, "The Capital Asset Pricing Model: Theory and Evidence," Journal of Economic Perspectives 18, 25-46.
Session 7-8	Consumption-Savings Decisions and State Pricing	Chapter 4, Theory of Asset Pricing

Midterm Exam

Tuesday, March 1, 2022; Noon – 2.00 PM

II. Multiperiod Consumption, Portfolio Choice, and Asset Pricing

Session 9-11:	A Multiperiod Discrete Time Model of Consumption and Portfolio Choice	Chapter 5, Theory of Asset Pricing
Session 12-14:	Multiperiod Market Equilibrium	Chapter 6, Theory of Asset Pricing The Lucas Model in O. Blanchard and S. Fischer, 1989, Lectures on Macroeconomics, MIT Press, p.506-12. Asset price bubbles in O. Blanchard and S. Fischer, 1989, Lectures on Macroeconomics, MIT Press, p.211-26.

Session	Topic	Lecturer/ Reading
III. Contingent Claims Pricing		
Session 15-16:	Basics of Derivative Pricing	Chapter 7, Theory of Asset Pricing Cox, J., S. Ross, and M. Rubinstein, 1979, "Option Pricing: A Simplified Approach," Journal of Financial Economics 7, 229-63.
Final Exam Thursday, May 12, 2022; 09.00 AM – noon		