BACHELOR OF ECONOMICS
THAMMASAT UNIVERSITY

Course Outline

EE433 ASSET PRICING THEORY

Semester 2/2024 (January 20 – May 14, 2025)

Number of Credit: 3 Credits (3-0-6)

Prerequisite: Curriculum 61: EE311 and EE320

Curriculum 66: EE311 and EE320 (or EE421)

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: 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.

Class Time and Logistic

Class day: Thursday

Class time: 09.00 – 12.00 hrs.

Venue: Conference room,5th floor, Faculty of Economics

Teaching Materials Platform: Google Classroom / code to join: acith4n

Instructor:

Name: Assistant Professor Dr. Wasin Siwasarit

Office Hours: Thursday 13.30-15.30 or by appointment

Email: Wasin@econ.tu.ac.th

Office Room: 455

Expected Learning Outcomes EE433

1. Morality and Ethics

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students demonstrate integrity.	Examinations/Assignments
○	2. Students prioritize social and public benefits over personal ones.	
●	3. Students are punctual and comply with the code of conduct of the institution and society at large.	Participation and Class Contribution/Professionalism
●	4. Students are responsible and accountable to society, the nation, and the subject of economics.	Participation and Class Contribution/Professionalism
○	5. Students realize the cultural and environmental value of a sustainable society.	

2. Knowledge

Applicability	Expected Learning Outcomes	
●	1. Students know and understand modern economics principles and theories, and are up to date with new developments.	Examinations/Assignments
○	2. Students know and understand Thai and global economic structure and the importance of major international economic events.	Examinations/Assignments
●	3. Students know and understand the instruments of economic analysis.	Examinations/Assignments
●	4. Students know and understand applied fields in economics, including monetary, public, international, business, natural resource, and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.	

O	5. Students are informed about related fields including sociology, business administration, education, law policy, and science.	

3. Intellectual Development

Applicability	Expected Learning Outcomes	
●	1. Students have developed individual critical thinking.	Examinations/Assignments
●	2. Students are sufficiently trained in research skills.	Examinations/Assignments
●	3. Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand the causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.	Examinations/Assignments

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes	
●	1. Students are responsible for assigned tasks and work in groups effectively.	Participation and Class Contribution/Professionalism
●	2. Students have problem-solving skills.	Participation and Class Contribution/Professionalism
O	3. Students show leadership skills and team spirit.	
●	4. Students are always improving themselves.	
●	5. Students have good interpersonal skills, adapt, and work under different conditions.	

5. Quantitative Analysis, communication, and information technology

Applicability	Expected Learning Outcomes	
●	1. Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.	Examinations/Assignments

●	2. Students communicate effectively and select appropriate presentation methods.	Examinations/Assignments
●	3. Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.	Examinations/Assignments

Remark: ● Primary expected outcome O Secondary expected

Conduct and Manner

Ethics is all above everything, far more valuable than merely subject knowledge. Accordingly, plagiarism and cheating, including any possible plagiarism and cheating, will be subject to penalties as stated in the University Regulations. More importantly, to achieve overall objectives of learning, it is strongly advised that all students of EE433 classes behave in proper manner with socially acceptable and right conduct.

Below is advised code of conduct to be performed in EE433 class. Achieving and maintaining the code of conduct throughout the course will surely be awarded.

1. No mobile phones used. This includes silent mode, message sending, LINE, and all social network communication that would interfere teaching and learning. Should any mobile phone ring, a pop-up closed-book quiz will be given to all students in the group. Score earned from the quiz will be counted toward the course evaluation.

2. Be punctual. Class starts at 09:00 am. Yet it is understood that students may have continuing classes that cause delay. It is acceptable if it is a few minutes late. But unnecessary delay should be avoided. Even if students are on time, they are advised not to leave the room without unnecessary purposes.

3. Behave. Everyone is expected to behave with basic politeness, civility, and respect for others. In particular, talking in class is allowed if it's part of a class discussion. Private communications are not, especially during quizzes. Neither are reading extraneous materials, using electronic equipment/s or sleeping. Other socially acceptable manner should be practiced here. For example, this is a classroom whereby food and drink is not allowed. This is the university whereby students wear proper dress.

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

Evaluation

The grade breakdown is as follows:

Methods/Activities	Weights Assigned
Assignments (Bi-weekly assignments)	10%
Mid-term Examination	30%
4 quizzes	10%
Participation and Class Contribution/Professionalism	10%
Final Examination	40%
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

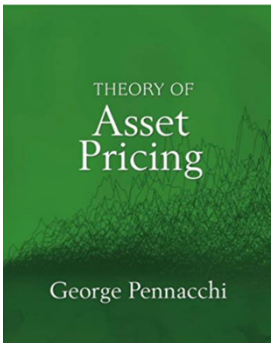
Attendance

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:	1. 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:	2. Mean-Variance Analysis	Chapter 2, *Theory of Asset Pricing* Anderson, R. and J-P. Danthine, 1981, "Cross Hedging," *Journal of Political Economy 8*9, 1182-1196.
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	Topic	Lecturer/ Reading
Session 7-8	Consumption-Savings Decisions and State Pricing	Chapter 4, *Theory of Asset Pricing*
Midterm Exam ***Thursday, March 13, 2025 09.00-11.00 hrs.***		
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 29, 2025 09.00-12.00 hrs.***		