

DEPARTAMENT : Accounting and Finance (CFC)
 PROGRAM..... : CMCD
 COURSE..... : Investments
 PROFESSOR..... : Antonio Gledson de Carvalho
 DAY/HOUR : Wednesdays and Thursdays – 9-10:50 Hs

1st semester / 2024

SYLLABUS

OBJECTIVES AND CONTENTS

This is the basic chair of the graduate program in finance. It aims to provide the student with the fundamentals of financial asset pricing theory. It covers consumption and investment (portfolio) decisions and their implication on asset pricing. The implications of the absence of arbitrage hypothesis on asset pricing are also explored. It is assumed that the student has knowledge of probability and statistics and familiarity with constrained optimization.

This course is taught in Portuguese

AOL program objectives	Course objectives	Degree of contribution
Qualitative research methods	None	○ ○ ○
Quantitative research methods	Understanding the basic models of asset pricing theory	● ● ●
Knowledge of the research field	None	○ ○ ○
Research procedure	None	○ ○ ○
Research relevance	This is a basic theory class	● ● ●
Academic writing	None	○ ○ ○

FORMAT

Lectures by the professor.

The success of this course depends fundamentally on the effort and preparation of the students for the classes. First, by carefully reading the textbook. Second, by bringing relevant comments on them. Third, by actively participating on the discussion of the topics.

ASSESSMENT CRITERIA

Quizzes:	20%
Midterm Exam:	40%
Final Exam:	40%

DESIRED BACKGROUND

Calculus, constrained optimization, basic probability and statistics, and regression analysis.

CONTENT

- 1) Expected utility and risk aversion
- 2) Mean-variance analysis
- 3) CAPM, arbitrage, and linear factor models
- 4) Consumption-Saving decisions and state pricing

COURSE SCHEDULE AND READING LIST

Course schedule (tentative and subject to change)

Session	Date	Topics	Text [pre-class readings]	Chapters [post-class readings]
1	21/Fev	Expected utility	Pennacchi: chap. 1 & Laffont: chap. 1 e 2	Pennacchi: chap. 1 & Laffont: chap. 1 e 2
2	22/Fev	Expected utility and risk aversion	Pennacchi: chap. 1 & Laffont: chap. 1 e 2	Pennacchi: chap. 1 & Laffont: chap. 1 e 2
3	28/Fev	Expected utility and risk aversion	Pennacchi: chap. 1 & Laffont: chap. 1 e 2	Pennacchi: chap. 1 & Laffont: chap. 1 e 2
4	29/Fev	Expected utility and risk aversion	Pennacchi: chap. 1 & Laffont: chap. 1 e 2	Pennacchi: chap. 1 & Laffont: chap. 1 e 2
5	6/Mar	Mean-variance analysis	Pennacchi: chap. 2	Pennacchi: chap. 2
6	7/Mar	Mean-variance analysis	Pennacchi: chap. 2	Pennacchi: chap. 2
7	13/Mar	Mean-variance analysis	Pennacchi: chap. 2	Pennacchi: chap. 2
8	14/Mar	Mean-variance analysis	Pennacchi: chap. 2	Pennacchi: chap. 2
9	20/Mar	MIDTERM EXAM		
10	21/Mar	CAPM, arbitrage, and linear factor models	Pennacchi: chap. 3	Pennacchi: chap. 3
11	27/Mar	CAPM, arbitrage, and linear factor models	Pennacchi: chap. 3	Pennacchi: chap. 3
12	3/ Apr	CAPM, arbitrage, and linear factor models	Pennacchi: chap. 3	Pennacchi: chap. 3
13	4/ Apr	Consumption-Saving decisions and state pricing	Pennacchi: chap. 4	Pennacchi: chap. 4
14	10/Apr	Consumption-Saving decisions and state pricing	Pennacchi: chap. 4	Pennacchi: chap. 4
15	11/Apr	Consumption-Saving decisions and state pricing	Pennacchi: chap. 4	Pennacchi: chap. 4
16	17/Apr	FINAL EXAM		

TEXTBOOKS

Pennacchi, George, *Theory of Asset Pricing*, Pearson-Addson Wesley, 2007.

Laffont, Jean Jacques, *The Economics of Uncertainty and Information*, MIT Press, Cambridge, MA, 1990.