

COURSE.....: Fundamentals of Finance
DEPARTAMENT : Accounting and Finance (CFC)
PROGRAM..... : CMCD AE
SEMESTER/YEAR.....: 1st semester / 2021
CLASS-HOURS.....: 30 hours or 15 hours
PROFESSOR..... : Antonio Gledson de Carvalho and Alan De Genaro
DAY/HOUR : Mondays and Wednesdays – 15-16:50 Hs
LANGUAGE.....: Portuguese

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.

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

Pre-course training	10%
Quizzes/Seminars:	20%
Midterm Exam (Part I):	35%
Final Exam (Part II):	35%

DESIRED BACKGROUND

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

CONTENT

Part I: Prof Antonio Gledson

- 1) Expected utility and risk aversion
- 2) Mean-variance analysis
- 3) CAPM, arbitrage, and linear factor models

Part II: Prof. Alan De Genaro

- 4) Multiperiod consumption-investments decisions
- 5) Major Puzzles in asset pricing and estimation of empirical models with GMM
- 6) Arbitrage and contingent claim valuation

COURSE SCHEDULE AND READING LIST

Course schedule (TBA in the first class)

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.

Campbell, John. *Financial Decisions and Markets: A Course in Asset Pricing*. Priceton Press, 2017/

Cochrane, John. *Asset Pricing: Revised Edition*. Priceton Press, 2005.
