

**CBN COLLABORATIVE POSTGRADUATE PROGRAMME
DEPARTMENT OF ECONOMICS, UNIVERSITY OF NIGERIA NSUKKA
WORK PLAN**

NAME OF LECTURER:

COURSE: ECO 515 ASSET PRICING THEORY AND PRACTICE

STUDY WEEK	TOPIC SUB-TOPIC	RESULTS LEARNING	TIME Hrs	METHODS	Suggested Videos
1 - 2	1.0 Introduction to Asset Pricing 1. Asset Pricing Intelligence; What is Finance? Introduction to Capital Markets; The Two period Model: Consumption, Production, Capital Markets, Investments; 2. Market efficiency; Dividend/price ratio and stock prices; Size and book to market as drivers of stock returns; Government bonds; Corporate bonds; Derivative pricing. 3. Stock and macroeconomic factors; measuring risk with covariance 4. Separation	The student can: ✓ Describe the types of financial markets that facilitate the flow of funds, ✓ Explain the concept of market efficiency, dividend/price ratio, derivative pricing ✓ Describe stock returns and risks' measurement	6	✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Guided study will include text readings and the use of a wide range Internet based resources. ✓ Lectures and tutorials	There are many good videos available on the Internet.
3 - 5	2.0 Building Blocks of Asset Pricing Models: 2.1 Review of probability theory and stochastic processes. Stochastic calculus.	The student can: ✓ Evaluate probability theory	9	✓ The students will learn through a combination of face – to - face contact	There are many good videos available on the Internet.

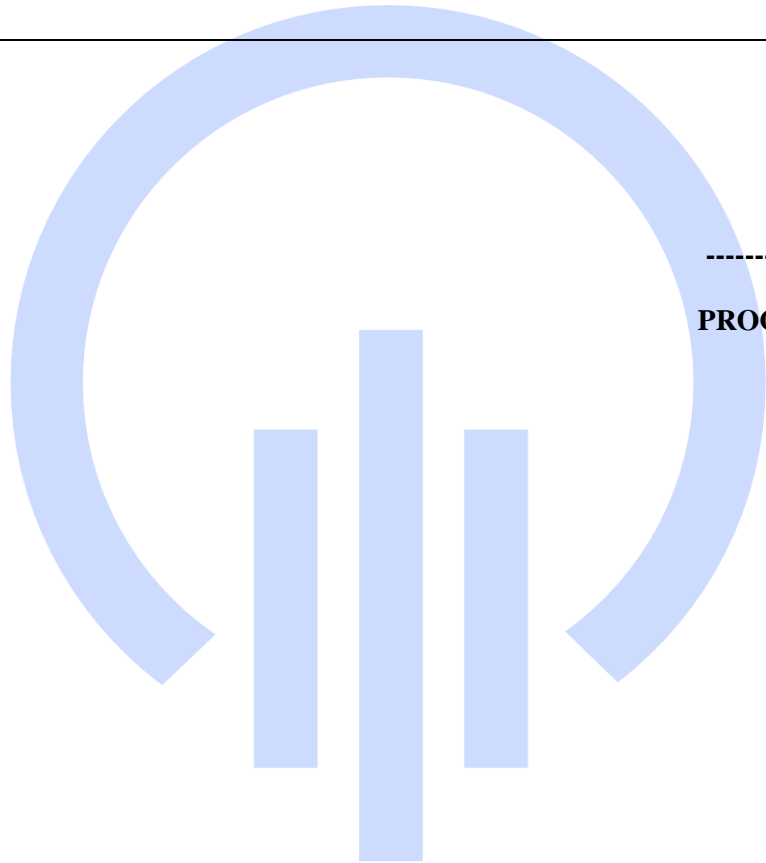
	<p>2.2 One-period, multi-period and continuous time models, Time value of money analytics, mappings</p> <p>2.3 Historical Returns, Security Indices; No-arbitrage and market completeness; Stochastic discount factors and Arrow-Debreu securities. Risk-neutral probabilities.</p>	<p>and stochastic processes.</p> <ul style="list-style-type: none"> ✓ Describe one and multi-period and continuous time models and analyze the time value of money. ✓ Explain historical returns and the concept of markets completeness. ✓ Explain the valuation and risk of money market securities. ✓ Define stochastic discount factors and Arrow-Debreu securities 		<p>and guided study.</p> <ul style="list-style-type: none"> ✓ Guided study will include text readings and the use of a wide range Internet based resources. ✓ Lectures and tutorials 	
<p>6 - 8</p>	<p>3.0 Individual optimality</p> <p>3.1 Individual preferences, utility theory, and risk-aversion: Expected Utility;</p> <p>3.2 Stochastic Dominance</p>	<ul style="list-style-type: none"> ✓ Explain individual preference, and expected utility theory ✓ Discuss optimal consumption and portfolio 	<p>9</p>	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Guided study will include text readings 	

	<p>3.3 Mean Variance Portfolio Theory</p> <p>3.4 Optimal consumption and portfolio choice.</p> <p>3.5 Dynamic programming</p> <p>3.6 State Preference Theory</p> <p>3.7 Term Structure of Interest Rates</p> <p>3.8 Informational Efficiency; Portfolio Performance; Agency and Information</p>	<p>choice.</p> <p>✓ Explain how to forecast interest rates.</p> <p>✓ Discuss how characteristics of debt securities cause their yields to vary</p> <p>✓ Explain the theories behind the term structure of interest rates (relationship between the term to maturity and the yield of securities)</p>		<p>and the use of a wide range Internet based resources.</p> <p>✓ Lectures and tutorials</p>	
9 - 11	<p>4.0 Equilibrium models</p> <p>4.1 Equilibrium fundamentals: Concept of equilibrium, representative agent, existence and Pareto-optimality</p> <p>4.2 Consumption CAPM and CAPM. Asset Pricing Puzzles.</p>	<p>✓ Discuss the concept of equilibrium, representative agents and Pareto-optimality</p> <p>✓ Discuss the theoretical relevance of CAPM and empirical difficulties of</p>	9	<p>✓ The students will learn through a combination of face – to - face contact and guided study.</p> <p>✓ Guided study will include text readings</p>	

	<p>4.3 Linear Beta Pricing; Linear Beta pricing with Inefficient Benchmarks;</p> <p>4.4 Arbitrage Pricing Theory</p> <p>4.5 Alternative Utility Specifications</p>	<p>estimating CAPM</p> <ul style="list-style-type: none"> ✓ Evaluate the Linear Beta pricing models with inefficient benchmarks ✓ Explain the different asset pricing puzzles. Including arbitrage models. ✓ Describe different formulation of the utility functions. 		<p>and the use of a wide range Internet based resources.</p> <ul style="list-style-type: none"> ✓ Lectures and tutorials 	
12 - 13	<p>1.0 Asymmetric information, rational expectations, and market microstructure</p> <p>5.1 Asymmetric information and rational expectations</p> <p>5.2 Determinants of trading costs</p> <p>5.3 Liquidity and asset prices</p> <p>5.4 Microstructure: continuous auctions, and insider trading</p>	<ul style="list-style-type: none"> ✓ Define asymmetric information and explain the concept of rational expectation. ✓ Describe the major determinants of trading costs. ✓ Calculate common measures of liquidity and asset prices. 	6	<ul style="list-style-type: none"> ✓ The students will learn through a combination of face – to - face contact and guided study. ✓ Guided study will include text readings and the use of a wide range Internet based resources. ✓ Lectures and tutorials 	There are numerous videos available on the Internet.

	STUDY WEEKS (1 – 13)
14.	REVISION WEEK
15.	FINAL EXAMINATION

Lecturer:



PROGRAMME LEADER