TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

VICTORIA
UNIVERSITY OF WELLINGTON

School of Economics and Finance
FINA 401 Current Topics in Asset Pricing
Trimester 1, 2016

COURSE OUTLINE

Names and Contact Details

Lecturer and Coordinator: Ingrid Lo: Railway West Wing, Railway Building, RWW211
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Administrator: Debbie Turner Railway West Wing, Railway Building, RW111
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Class Times and Room Numbers
Thursday 14:40- 16:30 RWW127

Trimester Dates
Teaching Period: Monday 29th February – Friday 3rd June

Study Period: Monday 6th June – Thursday 9th June

Examination Period: Friday 10th June – Wednesday 29th June (inclusive)

Course Delivery
The course is composed of 12 lectures

Prescription
An intensive examination of modern research in asset pricing, focusing on the role of intertemporal risks, asymmetric information and liquidity. Topics include consumption-based asset pricing models; the theory, estimation, and evaluation of factor pricing models; we will also modify standard asset pricing model by relaxing simplifying assumptions e.g information structure and trading mechanism. In particular, we will explore recent development in the theoretical and empirical market microstructure literature. Applications to real-world trading platforms will also be discussed

Course Learning Objectives
1. Use stochastic discount factors to represent asses pricing models (CAPM, APT, ICAPM, etc).
2. Use conditioning information in the development of an empirical model for asset pricing.
3. Implement tests of asset pricing models using appropriate econometric techniques.
4. Understand the implications of trading mechanisms in modelling asset returns.

Course Content
Part 1: Asset Pricing Theory

1. Overview
2. Existence and uniqueness
3. Conditioning information
4. Factor pricing models: CAPM, ICAPM, APT
5. GMM

Part 2: Market Microstructure Theory and Empirical Methods
1. Trading mechanisms: dealer markets, limit order markets and over-the-counter markets
2. Modelling asymmetric information
   - Sequential trade model
   - Continuous auctions
   - Roll model
3. Liquidity
4. Short-selling

Readings
Readings will be taken from a variety of sources. Probably the most used references are:

- J. Cochrane [JC], "Asset Pricing", Princeton, Revised edition.
- Joel Hasbrouck[JH], "Empirical Market Microstructure", Oxford

In addition, students will make presentations during class. A separate reading list covers the articles which will be presented.

Assessment
The Assessment Handbook will apply to all VUW courses: see
http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf.

Your course mark will be a weighted average, made up as follows:
- Presentation: 20% during regular class time.
- Participation: 10%
- Two assignments: 40% .
- Final exam: 30% two hours, date will be scheduled during the university examination period.

This course places a heavy emphasis on the reading of academic articles, along with the synthesis and presentation of these materials. Each student will be expected to present one paper during the course. Lectures will generally be structured so that the lecturer gives a 50 minute lecture. This is then followed by two students giving 20 minute presentations, each followed by a 5 minute discussion. Class participation marks will be awarded for active involvement in the discussion of each paper: the expectation is that students will read all papers covered in the course, not merely those that they present.

Expected Workload
Expected workload for this course is 150 hours. 24 hours of lectures, 2 hours of exams and 124 hours of study/work on assignments.

Penalties
Failure to present in the assigned slot will result in a zero grade for this portion of the course. Failure to hand in a piece of assessment by the due date will result in a 20% penalty in grade by day overdue.

Withdrawal from Course
1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.

2. The standard last date for withdrawal from this course is Friday 13th May After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation. The application form is available from either of the Faculty's Student Customer Service Desks or online.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the following period:

Friday 10th June – Wednesday 29th June (inclusive)

Mandatory course requirements

None

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine http://www.turnitin.com. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Materials and Equipment

Non-programmable calculators are required for the final exam.

Student feedback

Student feedback on University courses may be found at
www.cad.vuw.ac.nz/feedback/feedback_display.php.

Link to general information

For general information about course-related matters, go to
        http://www.victoria.ac.nz/vbs/studenthelp/general-course-information

Note to Students

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

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