Dynamic Asset Pricing Theory, Third Edition

Modern asset pricing models play a central role in finance and economic theory and applications. This book introduces a structural theory to evaluate these asset pricing models and throws light on the existence of Equity Premium Puzzle. Based on the structural theory, some algebraic (valuation-preserving) operations are developed in asset spaces and pricing kernel spaces. This has a very important implication leading to practical guidance in portfolio management and asset allocation in the global financial industry. The book also covers topics, such as the role of over-confidence in asset pricing modeling, relationship of the portfolio insurance with option and consumption-based asset pricing models, etc.

This new edition of a highly practical text gives a detailed presentation of the design of common reinforced concrete structures to limit state theory in accordance with BS 8110.

The role of information is central to the academic debate on finance. This book provides a detailed, current survey of theoretical research into the effect on stock prices of the distribution of information, comparing and contrasting major models. It examines theoretical models that explain bubbles, technical analysis, and herding behavior. It also provides rational explanations for stock market crashes. Analyzing the implications of asymmetries in information is crucial in this area. This book provides a useful survey for graduate students.

Yielding new insights into important market phenomena like asset price bubbles and trading constraints, this is the first textbook to present asset pricing theory using the martingale approach (and all of its extensions). Since the 1970s asset pricing theory has been studied, refined, and extended, and many different approaches can be used to present this material. Existing PhD–level books on this topic are aimed at either economics and business school students or mathematics students. While the first mostly ignore much of the research done in mathematical finance, the second emphasizes mathematical finance but does not focus on the topics of most relevance to economics and business school students. These topics are derivatives pricing and hedging (the Black–Scholes–Merton, the Heath–Jarrow–Morton, and the reduced-form credit risk models), multiple-factor models, characterizing systematic risk, portfolio optimization, market efficiency, and equilibrium (capital asset and consumption) pricing models. This book fills this gap, presenting the relevant topics from mathematical finance, but aimed at Economics and Business School students with strong mathematical backgrounds.

Asset Pricing Theory

Dynamic Asset Pricing Theory

Pensions, Politics, and Corporations from Deindustrialization to Dodd-Frank

A Structural Theory and Its Applications

Asset Pricing and Portfolio Choice Theory

NBER Macroeconomics Annual 1992

From the field's leading authority, the most authoritative and comprehensive advanced-level textbook on asset pricing In Financial Decisions and Markets, John Campbell, one of the field’s most respected authorities, provides a broad graduate-level overview of asset pricing. He introduces students to leading theories of portfolio choice, their implications for asset prices, and empirical patterns of risk and return in financial markets. Campbell emphasizes the interplay of theory and evidence, as theorists respond to empirical puzzles by developing models with new testable implications. The book shows how models make predictions not only about asset prices but also about investors’ financial positions, and how they often draw on insights from behavioral economics. After a careful introduction to single-period models, Campbell develops multiperiod models with time-varying discount rates, reviews the leading approaches to consumption-based asset pricing, and integrates the study of equities and fixed-income securities. He discusses models with heterogeneous agents who use financial markets to share their risks, but also may speculate against one another on the basis of different beliefs or private information. Campbell takes a broad view of the field, linking asset pricing to related areas, including financial econometrics, household finance, and macroeconomics. The textbook works in discrete time throughout, and does not require stochastic calculus. Problems are provided at the end of each chapter to challenge students to develop their understanding of the main issues in financial economics. The most comprehensive and balanced textbook on asset pricing available, Financial Decisions and Markets is an essential resource for all graduate students and practitioners in finance and related fields. Integrated treatment of asset pricing theory and empirical evidence Emphasis on investors’ decisions Broad view linking the field to financial econometrics, household finance, and macroeconomics Topics treated in discrete time, with no requirement for stochastic calculus Solutions manual for problems available to professors

Winner of the prestigious Paul A. Samuelson Award for scholarly writing on lifelong financial security, John Cochrane's Asset Pricing now appears in a revised edition that unifies and brings the science of asset pricing up to date for advanced students and professionals. Cochrane traces the pricing of all assets back to a single idea--price equals expected discounted payoff--that captures the macro-economic risks underlying each security's value. By using a single, stochastic discount factor rather than a separate set of tricks for each asset class, Cochrane builds a unified account of modern asset pricing. He presents applications to stocks, bonds, and options. Each model--consumption based, CAPM, multifactor, term structure, and option pricing--is derived as a different specification of the discounted factor. The discount factor framework also leads to a state-space geometry for mean-variance frontiers and asset pricing models. It puts payoffs in different states of nature on the axes rather than mean and variance of return, leading to a new and conveniently linear geometrical representation of asset pricing ideas. Cochrane approaches empirical work with the Generalized Method of Moments, which studies sample average prices and discounted payoffs to determine whether price does equal expected discounted payoff. He translates between the discount factor, GMM, and state-space language and the beta, mean-variance, and regression language common in empirical work and earlier theory. The book also includes a review of recent empirical work on return predictability, value and other puzzles in the cross section, and equity premium puzzles and their resolution. Written to be a summary for academics and professionals as well as a textbook, this book condenses and advances recent scholarship in financial economics.

This is the seventh in a series of annuals from the National Bureau of EconomicResearch that are designed to stimulate research on problems in applied economics, to bring frontiertheoretical developments to a wider audience, and to accelerate the interaction between analyticaland empirical research in macroeconomics. Olivier Blanchard and Stanley Fischer are both Professorsof Economics at the Massachusetts Institute of Technology. Contents: What Shall We Do Today? Goalsand Signposts in the Operation of Monetary Policy, Ben S. Bernanke and Frederic S. Mishkin. A Taleof Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore, Alwyn Young.International Trade and the Wage Structure, Steven J. Davis. Imperfect Information and MacroeconomicAnalysis, Joseph E. Stiglitz and Bruce Greenwald. Asset Pricing Lessons for Macroeconomics, Lars P.Hansen and John H. Cochrane. Postmortem on the Debt Crisis, Daniel Cohen.

The determination of the values of stocks, bonds, options, futures, and derivatives is done by the scientific process of asset pricing, which has developed dramatically in the last few years due to advances in financial theory and econometrics. This book covers the science of asset pricing by concentrating on the most widely used modelling technique called: Linear Factor Modelling. Linear Factor Models covers an important area for Quantitative Analysts/Investment Managers who are developing Quantitative Investment Strategies. Linear factor models (LFM) are part of modern investment processes that include asset valuation, portfolio theory and applications, linear factor models and applications, dynamic asset allocation strategies, portfolio performance measurement, risk management, international perspectives, and the use of derivatives. The book develops the building blocks for one of the most important theories of asset pricing - Linear Factor Modelling. Within this framework, we can include other asset pricing theories such as the Capital Asset Pricing Model (CAPM), arbitrage pricing theory and various pricing formulae for derivatives and option prices. As a bare minimum, the reader of this book must have a working knowledge of basic calculus, simple optimisation and elementary statistics. In particular, the reader must be comfortable with the algebraic manipulation of means, variances (and covariances) of linear combination(s) of random variables. Some topics may require a greater mathematical sophistication. * Covers the latest methods in this area. * Combines actual quantitative finance experience with analytical research rigour * Written by both quantitative analysts and academics who work in this area

Design theory and examples

Linear Factor Models in Finance

Dynamic Asset Allocation with Forwards and Futures

Investment under Uncertainty

The Econometrics of Financial Markets

Dark Markets

This book presents the texts of seminars presented during the years 1995 and 1996 at the Université Paris VI and is the first attempt to present a survey on this subject. Starting from the classical conditions for existence and unicity of a solution in the most simple case-which requires more than basic stochartic calculus-several refinements on the hypotheses are introduced to obtain more general results.

Academic finance has had a remarkable impact on many financial services. Yet long-term investors have received curiously little guidance from academic financial economists. Mean-variance analysis, developed almost fifty years ago, has provided a basic paradigm for portfolio choice. This approach usefully emphasizes the ability of diversification to reduce risk, but it ignores several critically important factors. Most notably, the analysis is static; it assumes that investors care only about risks to wealth one period ahead. However, many investors--both individuals and institutions such as charitable foundations or universities--seek to finance a stream of consumption over a long lifetime. In addition, mean-variance analysis treats financial wealth in isolation from income. Long-term investors typically receive a stream of income and use it, along with financial wealth, to support their consumption. At the theoretical level, it is well understood that the solution to a long-term portfolio choice problem can be very different from the solution to a short-term problem. Long-term investors care about intertemporal shocks to investment opportunities and labor income as well as shocks to wealth itself, and they may use financial assets to hedge their intertemporal risks. This should be important in practice because there is a great deal of empirical evidence that investment opportunities--both interest rates and risk premia on bonds and stocks--vary through time. Yet this insight has had little influence on investment practice because it is hard to solve for optimal portfolios in intertemporal models. This book seeks to develop the intertemporal approach into an empirical paradigm that can compete with the standard mean-variance analysis. The book shows that long-term inflation-indexed bonds are the riskless asset for long-term investors, it explains the conditions under which stocks are safer assets for long-term than for short-term investors, and it shows how labor income influences portfolio choice. These results shed new light on the rules of thumb used by financial planners. The book explains recent advances in both analytical and numerical methods, and shows how they can be used to understand the portfolio choice problems of long-term investors.

Today's modern portfolio theory is not your father's MPT. It has undergone many changes in the past fifty years. Indeed, a new understanding

of MPT has emerged, one that has a significant impact on managing asset allocation—especially in today's turbulent markets. Dynamic Asset Allocation interprets and integrates the developments in modern portfolio theory: from the efficient-market hypothesis and indexing of decades past to strategies for building winning portfolios today. The book is filled with practical, hands-on advice for investors, including guidance on approaching investment as a risk-management task.

Credit risk is today one of the most intensely studied topics in quantitative finance. This book provides an introduction and overview for readers who seek an up-to-date reference to the central problems of the field and to the tools currently used to analyze them. The book is aimed at researchers and students in finance, at quantitative analysts in banks and other financial institutions, and at regulators interested in the modeling aspects of credit risk. David Lando considers the two broad approaches to credit risk analysis: that based on classical option pricing models on the one hand, and on a direct modeling of the default probability of issuers on the other. He offers insights that can be drawn from each approach and demonstrates that the distinction between the two approaches is not at all clear-cut. The book strikes a fruitful balance between quickly presenting the basic ideas of the models and offering enough detail so readers can derive and implement the models themselves. The discussion of the models and their limitations and five technical appendixes help readers expand and generalize the models themselves or to understand existing generalizations. The book emphasizes models for pricing as well as statistical techniques for estimating their parameters. Applications include rating-based modeling, modeling of dependent defaults, swap- and corporate-yield curve dynamics, credit default swaps, and collateralized debt obligations.

Security Markets

Handbook Of The Fundamentals Of Financial Decision Making (In 2 Parts)

Information Choice in Macroeconomics and Finance

Credit Risk

Analytical, Empirical, and Behavioral Perspectives

Models and Methods

Financial Asset Pricing Theory offers a comprehensive overview of the classic and the current research in theoretical asset pricing. Asset pricing is developed around the concept of a state-price deflator which relates the price of any asset to its future (risky) dividends and thus incorporates how to adjust for both time and risk in asset valuation. The willingness of any utility-maximizing investor to shift consumption over time defines a state-price deflator which provides a link between optimal consumption and asset prices that leads to the Consumption-based Capital Asset Pricing Model (CCAPM). A simple version of the CCAPM cannot explain various stylized asset pricing facts, but these asset pricing 'puzzles' can be resolved by a number of recent extensions involving habit formation, recursive utility, multiple consumption goods, and long-run consumption risks. Other valuation techniques and modelling approaches (such as factor models, term structure models, risk-neutral valuation, and option pricing models) are explained and related to state-price deflators. The book will serve as a textbook for an advanced course in theoretical financial economics in a PhD or a quantitative Master of Science program. It will also be a useful reference book for researchers and finance professionals. The presentation in the book balances formal mathematical modelling and economic intuition and understanding. Both discrete-time and continuous-time models are covered. The necessary concepts and techniques concerning stochastic processes are carefully explained in a separate chapter so that only limited previous exposure to dynamic finance models is required.

The Capital Asset Pricing Model (CAPM) and the mean-variance (M-V) rule, which are based on classic expected utility theory, have been heavily criticized theoretically and empirically. The advent of behavioral economics, prospect theory and other psychology-minded approaches in finance challenges the rational investor model from which CAPM and M-V derive. Haim Levy argues that the tension between the classic financial models and behavioral economics approaches is more apparent than real. This book aims to relax the tension between the two paradigms. Specifically, Professor Levy shows that although behavioral economics contradicts aspects of expected utility theory, CAPM and M-V are intact in both expected utility theory and cumulative prospect theory frameworks. There is furthermore no evidence to reject CAPM empirically when ex-ante parameters are employed. Professionals may thus comfortably teach and use CAPM and behavioral economics or cumulative prospect theory as coexisting paradigms.

"Bali, Engle, and Murray have produced a highly accessible introduction to the techniques and evidence of modern empirical asset pricing. This book should be read and absorbed by every serious student of the field, academic and professional." Eugene Fama, Robert R. McCormick Distinguished Service Professor of Finance, University of Chicago and 2013 Nobel Laureate in Economic Sciences "The empirical analysis of the cross-section of stock returns is a monumental achievement of half a century of finance research. Both the established facts and the methods used to discover them have subtle complexities that can mislead casual observers and novice researchers. Bali, Engle, and Murray's clear and careful guide to these issues provides a firm foundation for future discoveries." John Campbell, Morton L. and Carole S. Olshan Professor of Economics, Harvard University "Bali, Engle, and Murray provide clear and accessible descriptions of many of the most important empirical techniques and results in asset pricing." Kenneth R. French, Roth Family Distinguished Professor of Finance, Tuck School of Business, Dartmouth College "This exciting new book presents a thorough review of what we know about the cross-section of stock returns. Given its comprehensive nature, systematic approach, and easy-to-understand language, the book is a valuable resource for any introductory PhD class in empirical asset pricing." Lubos Pastor, Charles P. McQuaid Professor of Finance, University of Chicago Empirical Asset Pricing: The Cross Section of

Stock Returns is a comprehensive overview of the most important findings of empirical asset pricing research. The book begins with thorough expositions of the most prevalent econometric techniques with in-depth discussions of the implementation and interpretation of results illustrated through detailed examples. The second half of the book applies these techniques to demonstrate the most salient patterns observed in stock returns. The phenomena documented form the basis for a range of investment strategies as well as the foundations of contemporary empirical asset pricing research. Empirical Asset Pricing: The Cross Section of Stock Returns also includes: Discussions on the driving forces behind the patterns observed in the stock market An extensive set of results that serve as a reference for practitioners and academics alike Numerous references to both contemporary and foundational research articles Empirical Asset Pricing: The Cross Section of Stock Returns is an ideal textbook for graduate-level courses in asset pricing and portfolio management. The book is also an indispensable reference for researchers and practitioners in finance and economics. Turan G. Bali, PhD, is the Robert Parker Chair Professor of Finance in the McDonough School of Business at Georgetown University. The recipient of the 2014 Jack Treynor prize, he is the coauthor of Mathematical Methods for Finance: Tools for Asset and Risk Management, also published by Wiley. Robert F. Engle, PhD, is the Michael Armellino Professor of Finance in the Stern School of Business at New York University. He is the 2003 Nobel Laureate in Economic Sciences, Director of the New York University Stern Volatility Institute, and co-founding President of the Society for Financial Econometrics. Scott Murray, PhD, is an Assistant Professor in the Department of Finance in the J. Mack Robinson College of Business at Georgia State University. He is the recipient of the 2014 Jack Treynor prize.

From award-winning economic historian Sanford M. Jacoby, a fascinating and important study of the labor movement and shareholder capitalism Since the 1970s, American unions have shrunk dramatically, as has their economic clout. Labor in the Age of Finance traces the search for new sources of power, showing how unions turned financialization to their advantage. Sanford Jacoby catalogs the array of allies and finance-based tactics labor deployed to stanch membership losses in the private sector. By leveraging pension capital, unions restructured corporate governance around issues like executive pay and accountability. In Congress, they drew on their political influence to press for corporate reforms in the wake of business scandals and the financial crisis. The effort restrained imperial CEOs but could not bridge the divide between workers and owners. Wages lagged behind investor returns, feeding the inequality identified by Occupy Wall Street. And labor's slide continued. A compelling blend of history, economics, and politics, Labor in the Age of Finance explores the paradox of capital bestowing power to labor in the tumultuous era of Enron, Lehman Brothers, and Dodd-Frank.

A Martingale-Based Approach

Revised Edition

Third Edition

Theory and Applications

Portfolio Choice for Long-Term Investors

Empirical Asset Pricing

Most theories in economics and finance predict what people will do, given what they know about the world around them. But what do people know about their environments? The study of information choice seeks to answer this question, explaining why economic players know what they know--and how the information they have affects collective outcomes. Instead of assuming what people do or don't know, information choice asks what people would choose to know. Then it predicts what, given that information, they would choose to do. In this textbook, Laura Veldkamp introduces graduate students in economics and finance to this important new research. The book illustrates how information choice is used to answer questions in monetary economics, portfolio choice theory, business cycle theory, international finance, asset pricing, and other areas. It shows how to build and test applied theory models with information frictions. And it covers recent work on topics such as rational inattention, information markets, and strategic games with heterogeneous information. Illustrates how information choice is used to answer questions in monetary economics, portfolio choice theory, business cycle theory, international finance, asset pricing, and other areas Teaches how to build and test applied theory models with information frictions Covers recent research on topics such as rational inattention, information markets, and strategic games with heterogeneous information

An introduction to the theory and methods of empirical asset pricing, integrating classical foundations with recent developments. This book offers a comprehensive advanced introduction to asset pricing, the study of models for the prices and returns of various securities. The focus is empirical, emphasizing how the models relate to the data. The book offers a uniquely integrated treatment, combining classical foundations with more recent developments in the literature and relating some of the material to applications in investment management. It covers the theory of empirical asset pricing, the main empirical methods, and a range of applied topics. The book introduces the theory of empirical asset pricing through three main paradigms: mean variance analysis, stochastic discount factors, and beta pricing models. It describes empirical methods, beginning with the generalized method of moments (GMM) and viewing other methods as special cases of GMM; offers a comprehensive review of fund performance evaluation; and presents selected applied topics, including a substantial chapter on predictability in asset markets that covers predicting the level of returns, volatility and higher moments, and predicting cross-sectional differences in returns. Other chapters cover production-based asset pricing, long-run risk models, the Campbell-Shiller approximation, the debate on covariance versus characteristics, and the relation of volatility to the cross-section of stock returns. An extensive reference section captures the current state of the field. The book is intended for use by graduate students in finance and economics; it can also serve as a reference for professionals.

This book provides a framework for thinking about economic instiutions such as firms. The basic idea is that institutions arise in situations where

people write incomplete contracts and where the allocation of power or control is therefore important. Power and control are not standard concepts in economic theory. The book begins by pointing out that traditional approaches cannot explain on the one hand why all transactions do not take place in one huge firm and on the other hand why firms matter at all. An incomplete contracting or property rights approach is then developed. It is argued that this approach can throw light on the boundaries of firms and on the meaning of asset ownership. In the remainder of the book, incomplete contacting ideas are applied to understand firms' financial decisions, in particular, the nature of debt and equity (why equity has votes and creditors have foreclosure rights); the capital structure decisions of public companies; optimal bankruptcy procedure; and the allocation of voting rights across a company's shares. The book is written in a fairly non-technical style and includes many examples. It is aimed at advanced undergraduate and graduate students, academic and business economists, and lawyers as well as those with an interest in corporate finance, privatization and regulation, and transitional issues in Eastern Europe, the former Soviet Union, and China. Little background knowledge is required, since the concepts are developed as the book progresses and the existing literature is fully reviewed.

This is an introduction to the theory of security markets, dealing principally with the allocational role and valuation of financial securities in a competitive setting.

Asset Pricing for Dynamic Economies

Dynamic Asset Allocation

Theory of Asset Pricing

Bubbles, Crashes, Technical Analysis, and Herding

Reinforced Concrete

Asset Pricing Under Asymmetric Information

This book provides a broad introduction to modern asset pricing theory. The theory is self-contained and unified in presentation. Both the no-arbitrage and the general equilibrium approaches of asset pricing theory are treated coherently within the general equilibrium framework. It fills a gap in the body of literature on asset pricing for being both advanced and comprehensive. The absence of arbitrage opportunities represents a necessary condition for equilibrium in the financial markets. However, the absence of arbitrage is not a sufficient condition for establishing equilibrium. These interrelationships are overlooked by the proponents of the no-arbitrage approach to asset pricing.This book also tackles recent advancement on inversion problems raised in asset pricing theory, which include the information role of financial options and the information content of term structure of interest rates and interest rates contingent claims.The inclusion of the proofs and derivations to enhance the transparency of the underlying arguments and conditions for the validity of the economic theory made it an ideal advanced textbook or reference book for graduate students specializing in financial economics and quantitative finance. The detailed explanations will capture the interest of the curious reader, and it is complete enough to provide the necessary background material needed to delve deeper into the subject and explore the research literature.Postgraduate students in economics with a good grasp of calculus, linear algebra, and probability and statistics will find themselves ready to tackle topics covered in this book. They will certainly benefit from the mathematical coverage in stochastic processes and stochastic differential equation with applications in finance. Postgraduate students in financial mathematics and financial engineering will also benefit, not only from the mathematical tools introduced in this book, but also from the economic ideas underpinning the economic modeling of financial markets.Both these groups of postgraduate students will learn the economic issues involved in financial modeling. The book can be used as an advanced text for Masters and PhD students in all subjects of financial economics, financial mathematics, mathematical finance, and financial engineering. It is also an ideal reference for practitioners and researchers in the subjects.

This book offers a concise introduction to OTC markets by explaining key conceptual issues and modeling techniques, and by providing readers with a foundation for more advanced subjects in this field.

Continuous-Time Models in Corporate Finance synthesizes four decades of research to show how stochastic calculus can be used in corporate finance. Combining mathematical rigor with economic intuition, Santiago Moreno-Bromberg and Jean-Charles Rochet analyze corporate decisions such as dividend distribution, the issuance of securities, and capital structure and default. They pay particular attention to financial intermediaries, including banks and insurance companies. The authors begin by recalling the ways that option-pricing techniques can be employed for the pricing of corporate debt and equity. They then present the dynamic model of the trade-off between taxes and bankruptcy costs and derive implications for optimal capital structure. The core chapter introduces the workhorse liquidity-management model—where liquidity and risk management decisions are made in order to minimize the costs of external finance. This model is used to study corporate finance decisions and specific features of banks and insurance companies. The book concludes by presenting the dynamic agency model, where financial frictions stem from the lack of interest alignment between a firm's manager and its financiers. The appendix contains an overview of the main mathematical tools used throughout the book. Requiring some familiarity with stochastic calculus methods, Continuous-Time Models in Corporate Finance will be useful for students, researchers, and professionals who want to develop dynamic models of firms' financial decisions.

How should firms decide whether and when to invest in new capital equipment, additions to their workforce, or the development of new products? Why have traditional economic models of investment failed to explain the behavior of investment spending in the United States and other countries? In this book,

Avinash Dixit and Robert Pindyck provide the first detailed exposition of a new theoretical approach to the capital investment decisions of firms, stressing the irreversibility of most investment decisions, and the ongoing uncertainty of the economic environment in which these decisions are made. In so doing, they answer important questions about investment decisions and the behavior of investment spending. This new approach to investment recognizes the option value of waiting for better (but never complete) information. It exploits an analogy with the theory of options in financial markets, which permits a much richer dynamic framework than was possible with the traditional theory of investment. The authors present the new theory in a clear and systematic way, and consolidate, synthesize, and extend the various strands of research that have come out of the theory. Their book shows the importance of the theory for understanding investment behavior of firms; develops the implications of this theory for industry dynamics and for government policy concerning investment; and shows how the theory can be applied to specific industries and to a wide variety of business problems.
Modern Portfolio Theory Updated for the Smart Investor
Asset Pricing
Backward Stochastic Differential Equations
Financial Asset Pricing Theory
Cogs and Monsters
Pricing, Measurement, and Management
In this book, two of America's leading economists provide the first integrated treatment of the conceptual, practical, and empirical foundations for credit risk pricing and risk measurement. Masterfully applying theory to practice, Darrell Duffie and Kenneth Singleton model credit risk for the purpose of measuring portfolio risk and pricing defaultable bonds, credit derivatives, and other securities exposed to credit risk. The methodological rigor, scope, and sophistication of their state-of-the-art account is unparalleled, and its singularly in-depth treatment of pricing and credit derivatives further illuminates a problem that has drawn much attention in an era when financial institutions the world over are revising their credit management strategies. Duffie and Singleton offer critical assessments of alternative approaches to credit-risk modeling, while highlighting the strengths and weaknesses of current practice. Their approach blends in-depth discussions of the conceptual foundations of modeling with extensive analyses of the empirical properties of such credit-related time series as default probabilities, recoveries, ratings transitions, and yield spreads. Both the "structura" and "reduced-form" approaches to pricing defaultable securities are presented, and their comparative fits to historical data are assessed. The authors also provide a comprehensive treatment of the pricing of credit derivatives, including credit swaps, collateralized debt obligations, credit guarantees, lines of credit, and spread options. Not least, they describe certain enhancements to current pricing and management practices that, they argue, will better position financial institutions for future changes in the financial markets. Credit Risk is an indispensable resource for risk managers, traders or regulators dealing with financial products with a significant credit risk component, as well as for academic researchers and students.
Asset Pricing Theory is an advanced textbook for doctoral students and researchers that offers a modern introduction to the theoretical and methodological foundations of competitive asset pricing. Costis Skiadas develops in depth the fundamentals of arbitrage pricing, mean-variance analysis, equilibrium pricing, and optimal consumption/portfolio choice in discrete settings, but with emphasis on geometric and martingale methods that facilitate an effortless transition to the more advanced continuous-time theory. Among the book's many innovations are its use of recursive utility as the benchmark representation of dynamic preferences, and an associated theory of equilibrium pricing and optimal portfolio choice that goes beyond the existing literature. Asset Pricing Theory is complete with extensive exercises at the end of every chapter and comprehensive mathematical appendixes, making this book a self-contained resource for graduate students and academic researchers, as well as mathematically sophisticated practitioners seeking a deeper understanding of concepts and methods on which practical models are built. Covers in depth the modern theoretical foundations of competitive asset pricing and consumption/portfolio choice Uses recursive utility as the benchmark preference representation in dynamic settings Sets the foundations for advanced modeling using geometric arguments and martingale methodology Features self-contained mathematical appendixes Includes extensive end-of-chapter exercises
This book is an advanced text on the theory of forward and futures markets which aims at providing readers with a comprehensive knowledge of how prices are established and evolve in time, what optimal strategies one can expect the participants to follow, whether they pertain to arbitrage, speculation or hedging, what characterizes such markets and what major theoretical and practical differences distinguish futures from forward contracts. It should be of interest to students (MBAs majoring in finance with quantitative skills and PhDs in finance and financial economics), academics (both theoreticians and empiricists), practitioners, and regulators. Standard textbooks dealing with forward and futures markets generally focus on the description of the contracts, institutional details, and the effective (as opposed to theoretically optimal) use of these instruments by practitioners. The theoretical analysis is often reduced to the (undoubtedly important)

cash-and-carry relationship and the computation of the simple, static, minimum variance hedge ratio. This book proposes an alternative approach of these markets from the perspective of dynamic asset allocation and asset pricing theory within an inter-temporal framework that is in line with what has been done many years ago for options markets.

This handbook in two parts covers key topics of the theory of financial decision making. Some of the papers discuss real applications or case studies as well. There are a number of new papers that have never been published before especially in Part II.Part I is concerned with Decision Making Under Uncertainty. This includes subsections on Arbitrage, Utility Theory, Risk Aversion and Static Portfolio Theory, and Stochastic Dominance. Part II is concerned with Dynamic Modeling that is the transition for static decision making to multiperiod decision making. The analysis starts with Risk Measures and then discusses Dynamic Portfolio Theory, Tactical Asset Allocation and Asset-Liability Management Using Utility and Goal Based Consumption-Investment Decision Models.A comprehensive set of problems both computational and review and mind expanding with many unsolved problems are in an accompanying problems book. The handbook plus the book of problems form a very strong set of materials for PhD and Masters courses both as the main or as supplementary text in finance theory, financial decision making and portfolio theory. For researchers, it is a valuable resource being an up to date treatment of topics in the classic books on these topics by Johnathan Ingersoll in 1988, and William Ziemba and Raymond Vickson in 1975 (updated 2nd edition published in 2006).

Continuous-Time Models in Corporate Finance, Banking, and Insurance

A User's Guide

A Course in Asset Pricing

Financial Decisions and Markets

Labor in the Age of Finance

The Paradox of Asset Pricing

How economics needs to change to keep pace with the twenty-first century and the digital economy Digital technology, big data, big tech, machine learning, and AI are revolutionizing both the tools of economics and the phenomena it seeks to measure, understand, and shape. In Cogs and Monsters, Diane Coyle explores the enormous problems—but also opportunities—facing economics today if it is to respond effectively to these dizzying changes and help policymakers solve the world's crises, from pandemic recovery and inequality to slow growth and the climate emergency. Mainstream economics, Coyle says, still assumes people are "cogs"—self-interested, calculating, independent agents interacting in defined contexts. But the digital economy is much more characterized by "monsters"—untethered, snowballing, and socially influenced unknowns. What is worse, by treating people as cogs, economics is creating its own monsters, leaving itself without the tools to understand the new problems it faces. In response, Coyle asks whether economic individualism is still valid in the digital economy, whether we need to measure growth and progress in new ways, and whether economics can ever be objective, since it influences what it analyzes. Just as important, the discipline needs to correct its striking lack of diversity and inclusion if it is to be able to offer new solutions to new problems. Filled with original insights, Cogs and Monsters offers a road map for how economics can adapt to the rewiring of society, including by digital technologies, and realize its potential to play a hugely positive role in the twenty-first century.

This is a thoroughly updated edition of Dynamic Asset Pricing Theory, the standard text for doctoral students and researchers on the theory of asset pricing and portfolio selection in multiperiod settings under uncertainty. The asset pricing results are based on the three increasingly restrictive assumptions: absence of arbitrage, single-agent optimality, and equilibrium. These results are unified with two key concepts, state prices and martingales. Technicalities are given relatively little emphasis, so as to draw connections between these concepts and to make plain the similarities between discrete and continuous-time models. Readers will be particularly intrigued by this latest edition's most significant new feature: a chapter on corporate securities that offers alternative approaches to the valuation of corporate debt. Also, while much of the continuous-time portion of the theory is based on Brownian motion, this third edition introduces jumps--for example, those associated with Poisson arrivals--in order to accommodate surprise events such as bond defaults. Applications include term-structure models, derivative valuation, and hedging methods. Numerical methods covered include Monte Carlo simulation and finite-difference solutions for partial differential equations. Each chapter provides extensive problem exercises and notes to the literature. A system of appendixes reviews the necessary mathematical concepts. And references have been updated throughout. With this new edition, Dynamic Asset Pricing Theory remains at the head of the field.

This book analyzes the verification of empirical asset pricing models when returns of securities are projected onto a set of presumed (or observed) factors. Particular emphasis is placed on the verification of essential factors and features for asset returns through model search approaches, in which non-diversifiability and statistical inferences are considered. The discussion reemphasizes the necessity of maintaining a dichotomy between the nondiversifiable pricing kernels and the individual components of stock returns when empirical asset pricing models are of interest. In particular, the model search approach (with this dichotomy emphasized) for empirical model selection of asset pricing is applied to discover the pricing kernels of asset returns.

The past twenty years have seen an extraordinary growth in the use of quantitative methods in financial markets. Finance professionals now routinely use sophisticated statistical techniques in portfolio management, proprietary trading, risk management, financial consulting, and securities regulation. This graduate-level textbook is intended for PhD students, advanced MBA students, and industry professionals interested in the econometrics of financial modeling. The book

covers the entire spectrum of empirical finance, including: the predictability of asset returns, tests of the Random Walk Hypothesis, the microstructure of securities markets, event analysis, the Capital Asset Pricing Model and the Arbitrage Pricing Theory, the term structure of interest rates, dynamic models of economic equilibrium, and nonlinear financial models such as ARCH, neural networks, statistical fractals, and chaos theory. Each chapter develops statistical techniques within the context of a particular financial application. This exciting new text contains a unique and accessible combination of theory and practice, bringing state-of-the-art statistical techniques to the forefront of financial applications. Each chapter also includes a discussion of recent empirical evidence, for example, the rejection of the Random Walk Hypothesis, as well as problems designed to help readers incorporate what they have read into their own applications.
Asset Pricing and Information Transmission in Over-the-Counter Markets
The Cross Section of Stock Returns
Empirical Asset Pricing Models
Futures Markets
Model Specification and Econometric Assessment
Strategic Asset Allocation

Theory of Asset Pricing unifies the central tenets and techniques of asset valuation into a single, comprehensive resource that is ideal for the first PhD course in asset pricing. By striking a balance between fundamental theories and cutting-edge research, Pennacchi offers the reader a well-rounded introduction to modern asset pricing theory that does not require a high level of mathematical complexity.

A 2008 introduction to general equilibrium modeling in macroeconomics and finance with an emphasis on asset pricing phenomena.

Dynamic Asset Pricing TheoryPrinceton University Press

Written by one of the leading experts in the field, this book focuses on the interplay between model specification, data collection, and econometric testing of dynamic asset pricing models. The first several chapters provide an in-depth treatment of the econometric methods used in analyzing financial time-series models. The remainder explores the goodness-of-fit of preference-based and no-arbitrage models of equity returns and the term structure of interest rates; equity and fixed-income derivatives prices; and the prices of defaultable securities. Singleton addresses the restrictions on the joint distributions of asset returns and other economic variables implied by dynamic asset pricing models, as well as the interplay between model formulation and the choice of econometric estimation strategy. For each pricing problem, he provides a comprehensive overview of the empirical evidence on goodness-of-fit, with tables and graphs that facilitate critical assessment of the current state of the relevant literatures. As an added feature, Singleton includes throughout the book interesting tidbits of new research. These range from empirical results (not reported elsewhere, or updated from Singleton's previous papers) to new observations about model specification and new econometric methods for testing models. Clear and comprehensive, the book will appeal to researchers at financial institutions as well as advanced students of economics and finance, mathematics, and science.

Firms, Contracts, and Financial Structure

The Capital Asset Pricing Model in the 21st Century

Stochastic Models

Continuous-Time Asset Pricing Theory

Finance

This book is intended as a textbook for Ph.D. students in finance and as a reference book for academics. It is written at an introductory level but includes detailed proofs and calculations as section appendices. It covers the classical results on single-period, discrete-time, and continuous-time models. It also treats various proposed explanations for the equity premium and risk-free rate puzzles: persistent heterogeneous idiosyncratic risks, internal habits, external habits, and recursive utility. Most of the book assumes rational behavior, but two topics important for behavioral finance are covered: heterogeneous beliefs and non-expected-utility preferences. There are also chapters on asymmetric information and production models. The book includes numerous exercises designed to provide practice with the concepts and also to introduce additional results. Each chapter concludes with a notes and references section that supplies references to additional developments in the field.

Duffie surveys the structure, uses, and strategies of the modern futures markets. He explores financial decision-making procedures--pointing out techniques for hedging with futures--and gives readers a wealth of proven, up-to-date methods for calculating risk-minimizing hedging positions.

Asset pricing theory abounds with elegant mathematical models. The logic is so compelling that the models are widely used in policy, from banking, investments, and corporate finance to government. To what extent, however, can these models predict what

actually happens in financial markets? In The Paradox of Asset Pricing, a leading financial researcher argues forcefully that the empirical record is weak at best. Peter Bossaerts undertakes the most thorough, technically sound investigation in many years into the scientific character of the pricing of financial assets. He probes this conundrum by modeling a decidedly volatile phenomenon that, he says, the world of finance has forgotten in its enthusiasm for the efficient markets hypothesis--speculation. Bossaerts writes that the existing empirical evidence may be tainted by the assumptions needed to make sense of historical field data or by reanalysis of the same data. To address the first problem, he demonstrates that one central assumption--that markets are efficient processors of information, that risk is a knowable quantity, and so on--can be relaxed substantially while retaining core elements of the existing methodology. The new approach brings novel insights to old data. As for the second problem, he proposes that asset pricing theory be studied through experiments in which subjects trade purposely designed assets for real money. This book will be welcomed by finance scholars and all those math--and statistics-minded readers interested in knowing whether there is science beyond the mathematics of finance. This book provided the foundation for subsequent journal articles that won two prestigious awards: the 2003 Journal of Financial Markets Best Paper Award and the 2004 Goldman Sachs Asset Management Best Research Paper for the Review of Finance.

This is an excerpt from the 4-volume dictionary of economics, a reference book which aims to define the subject of economics today. 1300 subject entries in the complete work cover the broad themes of economic theory. This extract concentrates on finance.

What Economics Is, and What It Should Be

Credit Risk Modeling

Data, Empirical Verification, and Model Search

Advanced Asset Pricing Theory

Empirical Dynamic Asset Pricing