FIN-608

Information and Asset Pricing

Malamud Semyon

Cursus	Sem.	Type
Finance		Obl.

Language of teaching	English
Credits	3
Session	
Exam	Written
Workload	90h
Hours	**28**
Courses	28
Number of positions	

Frequency

Every year

Summary

We study the role of information in equilibrium asset pricing models. We cover simple one-period models of incomplete and asymmetric information using competitive rational expectation equilibria and Bayesian-Nash equilibria. We extend the analysis to dynamic models with heterogeneous beliefs.

Content

1. Introduction
- Competitive Rational Expectation Equilibrium vs Strategic Bayesian Nash Equilibrium

2. Asymmetric Information / Private Information
- Informational efficiency - Grossman and Stiglitz (1980): information acquisition and fully revealing equilibrium
- No trade Theorem - Milgrom and Stokey (1982): information and absence of trade
- Sequential trading / microstructure - Kyle (1985): informed traders

3. Learning and Heterogenous Beliefs:
- Dynamic learning / Bayesian filtering: Cecchetti, Lam and Mark (2000): Equilibrium in representative agent models
- Heterogenous beliefs and equilibrium: Detemple and Murthy (1994)
- Irrationality / learning (Survival and price impact) - Blume and Easley (2006), Kogan et al. (2006)

Keywords

Information, Asset Pricing.

Assessment methods

Written exam.