

FIN-608

Information and Asset Pricing

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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.