# FIN-608 Information and Asset Pricing

Collin Dufresne Pierre				
Cursus	Sem.	Туре	Language of	English
Finance		Obl.	teaching	English
			Credits	3
			Session	
			Exam	Written
			Workload	90h
			Hours	28
			Lecture	28
			Number of positions	

# Frequency

Every year

## Remark

If you would like to attend this course, please send an email to: edfi@epfl.ch to register

## 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.

