

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

Remark

If you would like to register for this course or access the dates of the course, please send an email to: edfi@epfl.ch

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 to dynamic models.

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
- Dynamics: Back (1992)

3. Introduction to Banking:

- Diamond-Dybvig (1986): Bank Runs
- Goldstein-Pauzner (2005): Demand-Deposit and Bank runs.

Keywords

Information, Asset Pricing.

Assessment methods

Written exam.