Topics in Asset Pricing (B40.2330)
New York University, Stern School of Business, Fall 2002

Professors

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Course Website

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Organization of the Class

This class covers a wide range of advanced topics in asset pricing. The topics represent issues that the instructors find exciting and that we hope will help the participants think about research ideas.

In the first two classes, the instructors give an overview of the topics to be covered. In the following weeks, we discuss two papers per class. One student will be assigned to present each paper. An important part of the class, however, is the research discussion. All students are expected to carefully read the main papers and actively participate in the discussion. Indeed, the discussion will assume that everybody has read the papers.

A presentation of a theoretical paper should include (i) the important assumptions in the model, the main results, and the robustness of the results to deviations in the assumptions, (ii) the technique used to derive the results, (iii) the economic intuition behind the results, (iv) and possible steps for future research (including, but not limited to, improvements in the methodology or scope of the paper). A presentation of an empirical paper should include (i) the main hypotheses and their theoretical foundations,
(ii) the methods for testing the hypotheses and their appropriateness, (iii) the main findings, (iv) and possible steps for future research.

**Notation**

- Paper to be presented in detail.
  - Background paper.

**Topics and Papers**

**Transactions Costs and Liquidity Risk**


Incomplete Markets and Undiversifiable Labor Income


Differences of Opinion


Harrison and Kreps (1978), Speculative investor behavior in a stock market with heterogeneous expectations, Quarterly Journal of Economics 92, 323-336. [Zheng Sun, 10/7]


Scheinkman and Xiong, Overconfidence and Speculative Bubbles, Working Paper, Princeton. [Victoria Ivashina, 10/7]

Limited Arbitrage


Predictability in stock returns


Private Information


Garleanu and Pedersen, Adverse Selection with Re-Trade, Working Paper, NYU.


Lending Fees and Short Sales


○ Evans, Geczy, Musto and Reed, Impediments to Short-Selling and Option Prices, Working Paper, Wharton.


Dynamic Portfolio Choice


- Campbell and Viceira (1999), Consumption and Portfolio Decisions when Expected Returns are Time-Varying, Quarterly Journal of Economics 114, 433-495. [Yuanxing Dong, Olesya Grishchenko, 11/25]


Bubbles

- Abreu and Brunnermeier, Bubbles and Crashes, forthcoming Econometrica. [Prachi Deuskar, 12/2]


Limited Participation


Limited Commitment

