Instructor: Alexey Malakhov
Email: malakhov@walton.uark.edu
Office: WCOB 470
Office hours: W 5:30 - until all questions are answered, or by appointment

Course Description

This course provides an introduction to the theory of asset pricing in financial economics. It is intended for doctoral students. The primary textbook for the course that I will follow closely is *Asset Pricing (revised edition)* by John H. Cochrane, Princeton University Press, 2005

Course Requirements

There will be three to four written assignments and a final exam. The assignments are due before the class on the due date. The final exam will be closed-book. You can bring one standard size (8.5 x 11) cheat-sheet (both sides) for the final exam.

Grading

Your grade will be based on your class participation, assignments, and the final exam. The weights are given below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Participation and Assignments</td>
<td>25%</td>
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<tr>
<td>Final Exam</td>
<td>75%</td>
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Don’t hesitate letting me know if you think that you were adversely affected by a grading error (you do not have to report any grading errors in your favor).

Attendance

Attendance is expected for every class. However, if you have to miss a class, you do not have to ask for my permission.

Academic Integrity

Students have the responsibility to know and strictly observe the University of Arkansas Academic Honesty regulations as described in the University Catalog of Studies at http://catalogofstudies.uark.edu/. Students engaged in acts of academic dishonesty can be expelled from the University.
Preliminary Course Outline

I. Mathematical Stuff (will be covered throughout the course)
   a. Linear spaces, projections, inner products
   b. Optimization and separating hyperplanes
   c. Random variables and probability theory
   d. Conditional probability and conditional expectations
   e. Markov processes and Brownian motion
   f. Utility theory

II. Introduction to Consumption-Based Model and its Implications
III. The Basic Consumption-Based Model and General Equilibrium
IV. Contingent Claims Markets
V. The Discount Factor
VI. Mean-Variance Frontier and Beta Representations
VII. Relation Between Discount Factors, Betas, and Mean-Variance Frontiers
VIII. Implications of Existence and Equivalence Theorems
IX. Conditioning Information
X. Factor Pricing Models
XI. Option Pricing