Course description: Empirical Asset Pricing
Prof. Michael Bauer, Ph.D.
Universität Hamburg
Summer Semester 2021

Level: Ph.D. course
(open to Master students)
Format: interactive lecture, hybrid format
Time: Tuesdays 10:00-12:00
Target group: Economics, Business
Language: English

Contact:
Michael Bauer
Universität Hamburg
Von-Melle-Park 5, Office 2090
20146 Hamburg
Tel: 040 42838-5564
Email: michael.bauer@uni-hamburg.de

Short description:
This course is an introduction to empirical asset pricing. It focuses on methods for investigating financial market data and on important stylized facts in empirical finance. The material covers classic empirical finance topics related to bond and stock markets. In addition, the course will provide a macro-finance perspective: Two central themes will be the role of monetary policy for financial markets and the importance of macroeconomic fundamentals for asset prices, interest rates and risk premiums.

Topics (subject to change):
• Background: time series econometrics
• Stochastic discount factor – CAPM and its cousins, reduced-form models, consumption-based models, macro-finance models, equity premium puzzle and risk-free rate puzzle
• Risk and return in stock markets – predictability, Campbell-Shiller decomposition, discount rates, (excess) volatility, risk premiums and economic fluctuations
• Bond markets and term structure of interest rates – testing the expectations hypothesis, term premium and inflation risk premium, stock-bond beta, yield curve models, macroeconomic determinants of interest rates
• Monetary policy and financial markets – impact of policy announcements on interest rates and other asset prices, monetary policy rules and shocks, effects of unconventional monetary policy
• Information in derivative prices: risk-neutral moments from futures and options

Students will be assigned problem sets and write a short term paper.

Textbooks (recommended but not required):