Instructor: Professor Nelson Mark
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Hours: Drop in.
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Time and Location: Wednesdays 9-11:30 a.m. JNH B066


Course Description: This is going to be more like a reading group than a formal course. I’ll teach some material for the first week. After that, I would like students to prepare slides and to teach the topics.

Grades based on participation.

Topics

1. Some asset pricing stylized facts (Nelson)

2. The basic finance framework. (Nelson)

3. Consumption based asset pricing

4. Habit in Production Models

5. Recursive Utility
   (a) Gilchrist slides on recursive preferences
   (b) Backus, Routledge, and Zin, ‘Recursive Preferences,’ *mimeo*, New York University.
6. The Long-Run Risk Model

(c) Swanson, ‘A Macroeconomic Model of Equities and Real, Nominal, and Defaultable Debt,’ *mimeo*, UC Irvine.

7. Term Structure of Interest Rates


8. The Exchange Rate

(e) Sandulescu, Trojani, and Vedolin, ‘Model-Free International Stochastic Discount Factors,’ *mimeo*, Boston University

9. The Factor Structure in Exchange Rates

(a) Lustig and Richmond, ‘Gravity in FX $R^2$: Understanding the Factor Structure in Exchange Rates,’ *mimeo*.

10. The Forward Premium Anomaly

(a) Fama ‘Forward and Spot Exchange Rates,’ *Journal of Monetary Economics*, 1984

11. The Risk Reversal

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12. The Carry Trade

(b) Burnside comment, on Lustig and Verdelhan, American Economic Review, 101, 2011.

13. The Cross-Section of Stock Returns.

(a) The Fama-MacBeth method.

14. Disaster Risk

(c) Farhi and Gabaix, ‘Rare Disasters and Exchange Rates,’ Quarterly Journal of Economics, 2016