UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Financial Economics

2526-1-F1602M006

Learning objectives

The course aims at studying the economic role of financial markets in the allocation of resources under conditions of risk. In particular the focus will be on allocative efficiency and economic equilibrium. In this course students will learn to evaluate and interpret the links connecting economic and financial variables. Moreover, they will be able to critically assess financial models and their limitations and to appreciate their potential applications to real markets.

Contents

Microeoconomic theory of financial markets.

Detailed program

1. The mechanism of economic exchange
2. Economic equilibrium and allocative efficiency
3. Preferences and choice under conditions of risk
4. Stochastic dominance and risk
5. Financial markets and contingent goods: Arrow's model
6. Completeness of financial markets
7. The APT model and the structure of factors
8. Portfolio theory in the mean/variance model: the CAPM
9. Some asymmetric information models
10. The informational role of financial prices
11. Financial microstructure.

Prerequisites

Basic courses of Microeconomics and of Mathematics for Economists. In particolare nel corso si farà liberamente uso deiseguenti strumenti matematici:

1. linear algebra;
2. derivates and differential calculus;
3. properties of variance and covariance.

A reasonable knowledge of the English language is required.

Teaching methods

Lectures and classes

Assessment methods

Written exam with exercises. **A mock exam will be solved in class by the teacher.

Textbooks and Reading Materials

J. H. Cochrane (2005), *Asset pricing*, Princeton University Press, Princeton
C. F. Huang and R. H. Litzenberger (1988), *Foundations for Financial Economics*, Prentice Hall, Upper Saddle River.
G. Cassese (2026), *A course in financial economics. Lecture notes*.

Semester

Second semester

Teaching language

English

Sustainable Development Goals

QUALITY EDUCATION