UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Financial Economics

2627-1-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. The course follows a theoretical approach but it presents several applications, through examples and data, with the aim of illustrating the pricatical importance of the concepts introduced.

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. Portfolio theory in the mean/variance model: the CAPM
8. The APT model and the structure of factors.

Prerequisites

Basic courses of Microeconomics and of Mathematics for Economists. In particular we shall frequently make use of the following tools:

1. linear algebra;
2. derivates and differential calculus;
3. properties of variance and covariance;
4. properties of the norma distribution also multivariate.

A reasonable knowledge of the English language is required.

Teaching methods

Teaching will take place via lessons and classes without any recording. Moreover, some lessons will be supported by the use of the Bloomberg Lab and data manipulation via the support R.

Assessment methods

The exam will take place in the form of written exercises. The student will be required to provide definitions and explanations of some theoretical concept as well as the solution of some numerical excercises similar to the ones seen together in class. The last lesson a mock exam will be solved in class by the teacher with the purpose of providing a precise example of the difficulties of the exam.

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. Lectures and exams will be in english and I ask students who intend to participate with questions or other to do so using the english language.

Sustainable Development Goals

QUALITY EDUCATION