Topic Course: Research topics in macro-finance

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Description

- Macro-finance aims at understating the link between asset prices and macroeconomic fluctuations. Basic facts: Asset prices, returns and interest rates are correlated with busyness cycle. Stocks pays, on average, higher returns than bonds. Expected returns and risk premium are low in booms. Stock market volatility also varies over time. In this course we will discuss the main explanations of these basic (and other) facts and highlight strengths and limitations of different explanations. Finally we will discuss possible directions of future research.
- 3 Lectures of 2 hours each
- Structure: During the lecture we discuss key macro-finance papers and their recent extensions/applications
- Prerequisites: Macroeconomics, Microeconomics, Optimization methods, Choice under uncertainty, Basic probability theory and statistics

Outline

1. Basic consumption-based asset pricing model and its limitations
2. Habits
3. Loss aversion
4. Heterogeneous preferences/beliefs

5. Sentiment and asset prices

Main References

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