

Bookmark File New Perspectives On Asset Price Bubbles Read Pdf Free

Does Expansionary Monetary Policy Cause Asset Price Booms; Some Historical and Empirical Evidence Jul 23 2020 In this paper we investigate the relationship between loose monetary policy, low inflation, and easy bank credit with asset price booms. Using a panel of up to 18 OECD countries from 1920 to 2011 we estimate the impact that loose monetary policy, low inflation, and bank credit has on house, stock and commodity prices. We review the historical narratives on asset price booms and use a deterministic procedure to identify asset price booms for the countries in our sample. We show that "loose" monetary policy - that is having an interest rate below the target rate or having a growth rate of money above the target growth rate - does positively impact asset prices and this correspondence is heightened during periods when asset prices grew quickly and then subsequently suffered a significant correction. This result was robust across multiple asset prices and different specifications and was present even when we controlled for other alternative explanations such as low inflation or "easy" credit.

Asset Prices and Central Bank Policy Feb 10 2022 How should central banks view movements in equity, housing and foreign exchange markets? Can policy-makers improve economic performance by paying attention to asset prices, as well as inflation and output forecasts? Is it possible to identify asset price misalignments and bubbles? Is it possible to use non-conventional policies to address asset price misalignments? Should asset prices be included directly in measures of inflation? Do asset prices contain information about future consumer price inflation? This is the second report in a series of Geneva Reports on the World Economy, organized by the Center for International Monetary and Banking Studies, Geneva, in conjunction with the Centre for Economic Policy Research.

Unconventional Monetary Policy and Asset Price Risk May 01 2021 We examine the effects of unconventional monetary policy (UMP) events in the United States on asset price risk using risk-neutral density functions estimated from options prices. Based on an event study including a key exchange rate, an equity index, and five commodities, we find that "tail risk" diminishes in the immediate aftermath of UMP events, particularly downside left tail risk. We also find that QE1 and QE3 had stronger asset price effects than QE2. We conclude that UMP events that serve to ease policies can help to bolster market confidence in times of high uncertainty.

Asset Pricing Feb 22 2023 Winner of the prestigious Paul A. Samuelson Award for scholarly writing on lifelong financial security, John Cochrane's *Asset Pricing* now appears in a revised edition that unifies and brings the science of asset pricing up to date for advanced students and professionals. Cochrane traces the pricing of all assets back to a single idea--price equals expected discounted payoff--that captures the macro-economic risks underlying each security's value. By using a single, stochastic discount factor rather than a separate set of tricks for each asset class, Cochrane builds a unified account of modern asset pricing. He presents applications to stocks, bonds, and options. Each model--consumption based, CAPM, multifactor, term structure, and option pricing--is derived as a different specification of the discounted factor. The discount factor framework also leads to a state-space geometry for mean-variance frontiers and asset pricing models. It puts payoffs in different states of nature on the axes rather than mean and variance of return, leading to a new and conveniently linear geometrical representation of asset

pricing ideas. Cochrane approaches empirical work with the Generalized Method of Moments, which studies sample average prices and discounted payoffs to determine whether price does equal expected discounted payoff. He translates between the discount factor, GMM, and state-space language and the beta, mean-variance, and regression language common in empirical work and earlier theory. The book also includes a review of recent empirical work on return predictability, value and other puzzles in the cross section, and equity premium puzzles and their resolution. Written to be a summary for academics and professionals as well as a textbook, this book condenses and advances recent scholarship in financial economics.

Beyond Arbitrage Apr 12 2022 It is often useful to price assets and other random payoffs by reference to other observed prices rather than construct full-fledged economic asset pricing models. This approach breaks down if one cannot find a perfect replicating portfolio. We impose weak economic restrictions to derive usefully tight bounds on asset prices in this situation. The bounds basically rule out high Sharpe ratios - 'good deals' - as well as arbitrage opportunities. We present the method of calculation, we extend it to a multiperiod context by finding a recursive solution, and we apply it to option pricing examples including the Black-Scholes setup with infrequent trading, and a model with stochastic stock volatility and a varying riskfree rate.

Essays on Asset Prices and Macroeconomic News Announcements Sep 24 2020 My dissertation is composed of three chapters that are unified by their exploration of asset prices and macroeconomic news announcements. With respect to asset prices, my main focus is on the price discovery process: how do asset prices reveal information relevant for asset fundamentals? Through my research, I provide new answers to this question. My work gets at core issues in asset pricing: whether financial markets are informationally efficient; why some assets earn unconditionally high premia; and how the sensitivity of prices to information varies over time and across assets. Specifically, chapter one shows evidence that sophisticated traders with an informational advantage inefficiently impound their edge into the aggregate U.S. stock market and U.S. Treasury bonds. In chapter two, I explore a model in which investors are averse to ambiguity (Knightian uncertainty) to explain why the equity premium is concentrated around specific events. Finally, chapter three investigates how the Federal Reserve's zero lower bound affects the response of asset prices, in particular interest rates, to information. Each of the three chapters explores the price discovery process using the unique setting of U.S. macroeconomic news announcements, which are made by government agencies and private-sector organizations and cover macroeconomic data on inflation, output, and unemployment. Analyzing financial markets in this setting deepens our understanding of how asset prices reflect information about macroeconomic fundamentals. At the same time, the results have macroeconomic implications; for example, the assumptions of monetary policy models in theory and the effectiveness of unconventional monetary policy in practice.

Can Monetary Policy Create Asset Price Bubbles? Oct 06 2021 The objective of this paper is to find out whether expansionary monetary policy creates an upward pressure on asset prices and can thus create asset price bubbles, or more precisely significantly contribute to their creation. In doing so, we test the significance and the sign of coefficient on monetary policy stance indicator as a determinant of real estate and stock prices on 19 OECD countries quarterly panel data since 1980. Further we assess periods of real estate and stock price bubbles and periods of expansionary monetary policy and examine their relationship.

Monetary Policy and Asset Price Bubbles Sep 17 2022 The issue of monetary policy and asset prices has been receiving much attention not only because it is an interesting topic for macroeconomists but also because central banks have faced daunting challenges from large swings in various types of asset prices. To some extent, the achievement of a low, stable inflation environment has not simultaneously brought about a more stable asset price environment. The

record over the past decade, in fact, has raised the prospect of asset price booms and busts as a permanent feature of the monetary policy landscape. This paper lays out a general framework to explore some of the key monetary policy trade-offs presented by asset prices, with particular emphasis on the role of asset price bubbles. The paper first discusses what economists mean by asset price bubbles before putting forward a stylised macroeconomic model in which a monetary authority can influence the behaviour, in only an indirect way, of the path of asset prices. The baseline model suggests that central banks should systematically respond to asset price developments generally and asset price bubbles specifically. Indeed, there are good reasons for the central bank to focus only on asset price bubbles, rather than the fundamental component of asset prices, when calibrating its monetary policy response. This general result does not depend on the volatility of asset prices per se or necessarily on the ability to distinguish fundamental movements in asset prices from asset price bubbles. The paper then introduces a form of uncertainty - intrinsic paradigm uncertainty about the existence of bubbles - to show how policymakers might want to weigh the options of responding or not responding in such an environment. The paper then goes beyond the confines of the model to offer insights about issues such as moral hazard, non-linearities, multivariate bubbles and communication strategies.

Financial Asset Pricing Theory Feb 16 2020 Financial Asset Pricing Theory offers a comprehensive overview of the classic and the current research in theoretical asset pricing. Asset pricing is developed around the concept of a state-price deflator which relates the price of any asset to its future (risky) dividends and thus incorporates how to adjust for both time and risk in asset valuation. The willingness of any utility-maximizing investor to shift consumption over time defines a state-price deflator which provides a link between optimal consumption and asset prices that leads to the Consumption-based Capital Asset Pricing Model (CCAPM). A simple version of the CCAPM cannot explain various stylized asset pricing facts, but these asset pricing 'puzzles' can be resolved by a number of recent extensions involving habit formation, recursive utility, multiple consumption goods, and long-run consumption risks. Other valuation techniques and modelling approaches (such as factor models, term structure models, risk-neutral valuation, and option pricing models) are explained and related to state-price deflators. The book will serve as a textbook for an advanced course in theoretical financial economics in a PhD or a quantitative Master of Science program. It will also be a useful reference book for researchers and finance professionals. The presentation in the book balances formal mathematical modelling and economic intuition and understanding. Both discrete-time and continuous-time models are covered. The necessary concepts and techniques concerning stochastic processes are carefully explained in a separate chapter so that only limited previous exposure to dynamic finance models is required.

Asset Prices and Monetary Policy Jul 03 2021 Do housing and equity booms significantly raise the probability of extremely bad outcomes at the margin? This study addresses this question for a group of 8 East Asian countries. The main findings are the following: (i) Asset price booms in housing and equity markets, either separately or jointly but especially in housing, significantly raise the probability at the margin that (a) the real output gap will be in the left tail of its distribution, in which output is significantly below trend, and (b) the price-level gap will be in the right tail of its distribution, in which the price level is significantly above trend. At the margin, the risk of the occurrence of these particular tail events due to asset price booms is largely asymmetric and does not apply to the tails of good outcomes; and (ii) Expected real output and price level outcomes that are either obtained without conditioning on asset price booms or are obtained conditional on asset price booms using the normal approximation underestimate the risk of tail events and lead to less pessimistic but misleading inferences. One implication for monetary policy is that an approach that is ex-ante more compatible with risk

management may be appropriate.

Asset Price Bubbles, Investment, and Monetary Policy in Thailand Dec 28 2020 Studies the asset price bubbles by measuring the size of bubbles and measuring impacts of monetary factors on the movement of asset prices during 1986 to 1996.

New Perspectives on Asset Price Bubbles Jan 21 2023 This volume critically re-examines the profession's understanding of asset bubbles in light of the global financial crisis of 2007-09. It is well known that bubbles have occurred in the past, with the October 1929 crash as the most demonstrative example. However, the remarkably well-behaved performance of the US economy from 1945 to 2006, and, in particular during the Great Moderation period of 1984 to 2006, assured the economics profession and monetary policymakers that asset bubbles could be effectively managed with little or no real economic impact. The recent financial crisis has now triggered a debate about the emergence of a sequence of repeated bubbles in the Nasdaq market, housing market, credit market, and commodity markets. The realities of the crisis have intensified theoretical modeling, empirical methodologies, and debate on policy issues surrounding asset price bubbles and their potentially adverse economic impact if poorly managed. Taking a novel approach, the editors of this book present five classic papers that represent accepted thinking about asset bubbles prior to the financial crisis. They also include original papers challenging orthodox thinking and presenting new insights. A summary essay highlights the lessons learned and experiences gained since the crisis.

The Paradox of Asset Pricing May 21 2020 Asset pricing theory abounds with elegant mathematical models. The logic is so compelling that the models are widely used in policy, from banking, investments, and corporate finance to government. To what extent, however, can these models predict what actually happens in financial markets? In *The Paradox of Asset Pricing*, a leading financial researcher argues forcefully that the empirical record is weak at best. Peter Bossaerts undertakes the most thorough, technically sound investigation in many years into the scientific character of the pricing of financial assets. He probes this conundrum by modeling a decidedly volatile phenomenon that, he says, the world of finance has forgotten in its enthusiasm for the efficient markets hypothesis--speculation. Bossaerts writes that the existing empirical evidence may be tainted by the assumptions needed to make sense of historical field data or by reanalysis of the same data. To address the first problem, he demonstrates that one central assumption--that markets are efficient processors of information, that risk is a knowable quantity, and so on--can be relaxed substantially while retaining core elements of the existing methodology. The new approach brings novel insights to old data. As for the second problem, he proposes that asset pricing theory be studied through experiments in which subjects trade purposely designed assets for real money. This book will be welcomed by finance scholars and all those math--and statistics--minded readers interested in knowing whether there is science beyond the mathematics of finance. This book provided the foundation for subsequent journal articles that won two prestigious awards: the 2003 Journal of Financial Markets Best Paper Award and the 2004 Goldman Sachs Asset Management Best Research Paper for the Review of Finance.

Asset Pricing in Discrete Time Jun 14 2022 Relying on the existence, in a complete market, of a pricing kernel, this book covers the pricing of assets, derivatives, and bonds in a discrete time, complete markets framework. It is primarily aimed at advanced Masters and PhD students in finance.-- Covers asset pricing in a single period model, deriving a simple complete market pricing model and using Stein's lemma to derive a version of the Capital Asset Pricing Model.-- Looks more deeply into some of the utility determinants of the pricing kernel, investigating in particular the effect of non-marketable background risks on the shape of the pricing kernel.-- Derives the prices of European-style contingent claims, in particular call options, in a one-period

model; derives the Black-Scholes model assuming a lognormal distribution for the asset and a pricing kernel with constant elasticity, and emphasizes the idea of a risk-neutral valuation relationship between the price of a contingent claim on an asset and the underlying asset price.-- Extends the analysis to contingent claims on assets with non-lognormal distributions and considers the pricing of claims when risk-neutral valuation relationships do not exist.-- Expands the treatment of asset pricing to a multi-period economy, deriving prices in a rational expectations equilibrium.-- Uses the rational expectations framework to analyse the pricing of forward and futures contracts on assets and derivatives.-- Analyses the pricing of bonds given stochastic interest rates, and then uses this methodology to model the drift of forward rates, and as a special case the drift of the forward London Interbank Offer Rate in the LIBOR Market Model.

Financial Asset Pricing Theory Nov 14 2019 The book presents models for the pricing of financial assets such as stocks, bonds, and options. The models are formulated and analyzed using concepts and techniques from mathematics and probability theory. It presents important classic models and some recent 'state-of-the-art' models that outperform the classics.

Asset Price Response to New Information Mar 31 2021 Asset Price Response to New Information examines the effect of two types of psychological biases (namely, conservatism bias and representativeness heuristic) on the asset price reaction to new information. The author constructs various models of a competitive securities market or a security market allowing for strategic interaction among traders to prove rigorously that either conservatism or representativeness is capable of generating both asset price overreaction and underreaction to new information. The results shed some new insights on the phenomena of the asset price overreaction and underreaction to new information. In the literature, very little has been published in this area of behavioral finance. This volume will appeal to graduate-level students and researchers in finance, behavioral finance, and financial engineering.

Financial Decisions and Markets Apr 19 2020 From the field's leading authority, the most authoritative and comprehensive advanced-level textbook on asset pricing In *Financial Decisions and Markets*, John Campbell, one of the field's most respected authorities, provides a broad graduate-level overview of asset pricing. He introduces students to leading theories of portfolio choice, their implications for asset prices, and empirical patterns of risk and return in financial markets. Campbell emphasizes the interplay of theory and evidence, as theorists respond to empirical puzzles by developing models with new testable implications. The book shows how models make predictions not only about asset prices but also about investors' financial positions, and how they often draw on insights from behavioral economics. After a careful introduction to single-period models, Campbell develops multiperiod models with time-varying discount rates, reviews the leading approaches to consumption-based asset pricing, and integrates the study of equities and fixed-income securities. He discusses models with heterogeneous agents who use financial markets to share their risks, but also may speculate against one another on the basis of different beliefs or private information. Campbell takes a broad view of the field, linking asset pricing to related areas, including financial econometrics, household finance, and macroeconomics. The textbook works in discrete time throughout, and does not require stochastic calculus. Problems are provided at the end of each chapter to challenge students to develop their understanding of the main issues in financial economics. The most comprehensive and balanced textbook on asset pricing available, *Financial Decisions and Markets* is an essential resource for all graduate students and practitioners in finance and related fields. Integrated treatment of asset pricing theory and empirical evidence Emphasis on investors' decisions Broad view linking the field to financial econometrics, household finance, and macroeconomics Topics treated in discrete time, with no requirement for stochastic calculus Forthcoming solutions

manual for problems available to professors

Asset Prices, Booms and Recessions Mar 11 2022 The financial market melt-down of the years 2007-2009 has posed great challenges for studies on financial economics. This financial economics text focuses on the dynamic interaction of financial markets and economic activity. The financial market to be studied here encompasses the money and bond market, credit market, stock market and foreign exchange market; economic activity includes the actions and interactions of firms, banks, households, governments and countries. The book shows how economic activity affects asset prices and the financial market, and how asset prices and financial market volatility and crises impact economic activity. The book offers extensive coverage of new and advanced topics in financial economics such as the term structure of interest rates, credit derivatives and credit risk, domestic and international portfolio theory, multi-agent and evolutionary approaches, capital asset pricing beyond consumption-based models, and dynamic portfolio decisions. Moreover a completely new section of the book is dedicated to the recent financial market meltdown of the years 2007-2009. Emphasis is placed on empirical evidence relating to episodes of financial instability and financial crises in the U.S. and in Latin American, Asian and Euro-area countries. Overall, the book explains what researchers and practitioners in the financial sector need to know about the financial-real interaction, and what practitioners and policy makers need to know about the financial market.

Asset Price Dynamics, Volatility, and Prediction Nov 19 2022 This book shows how current and recent market prices convey information about the probability distributions that govern future prices. Moving beyond purely theoretical models, Stephen Taylor applies methods supported by empirical research of equity and foreign exchange markets to show how daily and more frequent asset prices, and the prices of option contracts, can be used to construct and assess predictions about future prices, their volatility, and their probability distributions. Stephen Taylor provides a comprehensive introduction to the dynamic behavior of asset prices, relying on finance theory and statistical evidence. He uses stochastic processes to define mathematical models for price dynamics, but with less mathematics than in alternative texts. The key topics covered include random walk tests, trading rules, ARCH models, stochastic volatility models, high-frequency datasets, and the information that option prices imply about volatility and distributions. **Asset Price Dynamics, Volatility, and Prediction** is ideal for students of economics, finance, and mathematics who are studying financial econometrics, and will enable researchers to identify and apply appropriate models and methods. It will likewise be a valuable resource for quantitative analysts, fund managers, risk managers, and investors who seek realistic expectations about future asset prices and the risks to which they are exposed.

Empirical Asset Pricing May 13 2022 An introduction to the theory and methods of empirical asset pricing, integrating classical foundations with recent developments. This book offers a comprehensive advanced introduction to asset pricing, the study of models for the prices and returns of various securities. The focus is empirical, emphasizing how the models relate to the data. The book offers a uniquely integrated treatment, combining classical foundations with more recent developments in the literature and relating some of the material to applications in investment management. It covers the theory of empirical asset pricing, the main empirical methods, and a range of applied topics. The book introduces the theory of empirical asset pricing through three main paradigms: mean variance analysis, stochastic discount factors, and beta pricing models. It describes empirical methods, beginning with the generalized method of moments (GMM) and viewing other methods as special cases of GMM; offers a comprehensive review of fund performance evaluation; and presents selected applied topics, including a substantial chapter on predictability in asset markets that covers predicting the level of returns, volatility and higher moments, and predicting cross-sectional differences in returns. Other

chapters cover production-based asset pricing, long-run risk models, the Campbell-Shiller approximation, the debate on covariance versus characteristics, and the relation of volatility to the cross-section of stock returns. An extensive reference section captures the current state of the field. The book is intended for use by graduate students in finance and economics; it can also serve as a reference for professionals.

The Asset Price Approach to the Analysis of Capital Income Taxation Oct 18 2022 This paper summarizes my recent research directed at the development of an asset price approach to the analysis of capital income taxation. While asset prices play a crucial role in many macroeconomic models, they have been subordinate in most previous efforts to study the effects of capital income taxation on economic behavior. A number of reasons for focusing on the role of asset prices in analyzing public finance questions are discussed. These include the role of asset prices in determining investment decisions, and the fact that changes in asset prices are indicators of the horizontal and vertical equity effects of tax reforms. Recent empirical research in which asset price information is studied in order to measure the effects on economic behavior of tax reforms and to distinguish between alternative models of the effects of capital income taxation is reviewed. Directions for future research in public finance, focusing on asset markets, are also discussed

Empirical Asset Pricing Feb 27 2021 “Bali, Engle, and Murray have produced a highly accessible introduction to the techniques and evidence of modern empirical asset pricing. This book should be read and absorbed by every serious student of the field, academic and professional.” Eugene Fama, Robert R. McCormick Distinguished Service Professor of Finance, University of Chicago and 2013 Nobel Laureate in Economic Sciences “The empirical analysis of the cross-section of stock returns is a monumental achievement of half a century of finance research. Both the established facts and the methods used to discover them have subtle complexities that can mislead casual observers and novice researchers. Bali, Engle, and Murray’s clear and careful guide to these issues provides a firm foundation for future discoveries.” John Campbell, Morton L. and Carole S. Olshan Professor of Economics, Harvard University “Bali, Engle, and Murray provide clear and accessible descriptions of many of the most important empirical techniques and results in asset pricing.” Kenneth R. French, Roth Family Distinguished Professor of Finance, Tuck School of Business, Dartmouth College “This exciting new book presents a thorough review of what we know about the cross-section of stock returns. Given its comprehensive nature, systematic approach, and easy-to-understand language, the book is a valuable resource for any introductory PhD class in empirical asset pricing.” Lubos Pastor, Charles P. McQuaid Professor of Finance, University of Chicago Empirical Asset Pricing: The Cross Section of Stock Returns is a comprehensive overview of the most important findings of empirical asset pricing research. The book begins with thorough expositions of the most prevalent econometric techniques with in-depth discussions of the implementation and interpretation of results illustrated through detailed examples. The second half of the book applies these techniques to demonstrate the most salient patterns observed in stock returns. The phenomena documented form the basis for a range of investment strategies as well as the foundations of contemporary empirical asset pricing research. Empirical Asset Pricing: The Cross Section of Stock Returns also includes: Discussions on the driving forces behind the patterns observed in the stock market An extensive set of results that serve as a reference for practitioners and academics alike Numerous references to both contemporary and foundational research articles Empirical Asset Pricing: The Cross Section of Stock Returns is an ideal textbook for graduate-level courses in asset pricing and portfolio management. The book is also an indispensable reference for researchers and practitioners in finance and economics. Turan G. Bali, PhD, is the Robert Parker Chair Professor of Finance in the McDonough School of

Business at Georgetown University. The recipient of the 2014 Jack Treynor prize, he is the coauthor of *Mathematical Methods for Finance: Tools for Asset and Risk Management*, also published by Wiley. Robert F. Engle, PhD, is the Michael Armellino Professor of Finance in the Stern School of Business at New York University. He is the 2003 Nobel Laureate in Economic Sciences, Director of the New York University Stern Volatility Institute, and co-founding President of the Society for Financial Econometrics. Scott Murray, PhD, is an Assistant Professor in the Department of Finance in the J. Mack Robinson College of Business at Georgia State University. He is the recipient of the 2014 Jack Treynor prize.

Three Essays on Asset Pricing Model with Heterogenous Agents Jan 17 2020

Investors and Markets Oct 26 2020 In *Investors and Markets*, Nobel Prize-winning financial economist William Sharpe shows that investment professionals cannot make good portfolio choices unless they understand the determinants of asset prices. But until now asset-price analysis has largely been inaccessible to everyone except PhDs in financial economics. In this book, Sharpe changes that by setting out his state-of-the-art approach to asset pricing in a nonmathematical form that will be comprehensible to a broad range of investment professionals, including investment advisors, money managers, and financial analysts. Bridging the gap between the best financial theory and investment practice, *Investors and Markets* will help investment professionals make better portfolio choices by being smarter about asset prices. Based on Sharpe's Princeton Lectures in Finance, *Investors and Markets* presents a method of analyzing asset prices that accounts for the real behavior of investors. Sharpe makes this technique accessible through a new, one-of-a-kind computer program (available for free on his Web site, at <http://www.stanford.edu/~wfs Sharpe/apsim/index.html>) that enables users to create virtual markets, setting the starting conditions and then allowing trading until equilibrium is reached and trading stops. Program users can then analyze the final portfolios and asset prices, see expected returns, and measure risk. In addition to popularizing the most sophisticated form of asset-price analysis, *Investors and Markets* summarizes much of Sharpe's most important previous work and reflects a lifetime of thinking about investing by one of the leading minds in financial economics. Any serious investment professional will benefit from Sharpe's unique insights.

The Impact of Money Supply Announcements on Asset Price Uncertainty Jun 21 2020

Asset Pricing in Discrete Time Nov 07 2021 Relying on the existence, in a complete market, of a pricing kernel, this book covers the pricing of assets, derivatives, and bonds in a discrete time, complete markets framework. It is primarily aimed at advanced Masters and PhD students in finance. — Covers asset pricing in a single period model, deriving a simple complete market pricing model and using Stein's lemma to derive a version of the Capital Asset Pricing Model. — Looks more deeply into some of the utility determinants of the pricing kernel, investigating in particular the effect of non-marketable background risks on the shape of the pricing kernel. — Derives the prices of European-style contingent claims, in particular call options, in a one-period model; derives the Black-Scholes model assuming a lognormal distribution for the asset and a pricing kernel with constant elasticity, and emphasizes the idea of a risk-neutral valuation relationship between the price of a contingent claim on an asset and the underlying asset price. — Extends the analysis to contingent claims on assets with non-lognormal distributions and considers the pricing of claims when risk-neutral valuation relationships do not exist. — Expands the treatment of asset pricing to a multi-period economy, deriving prices in a rational expectations equilibrium. — Uses the rational expectations framework to analyse the pricing of forward and futures contracts on assets and derivatives. — Analyses the pricing of bonds given stochastic interest rates, and then uses this methodology to model the drift of forward rates, and as a special case the drift of the forward London Interbank Offer Rate in the LIBOR Market

Model.

Asset Prices and Monetary Policy Jan 09 2022 This report collects the views of several prominent scholars and central bankers on whether and how asset price developments can be incorporated in the design of monetary policy. The views were expressed in a concluding panel discussion of a conference on Asset Prices and Monetary Policy organized by CEPR and the Bank for International Settlements.

Asset Price Fluctuation and Price Indices Dec 16 2019 Focuses on how to make use of information inherent with asset price fluctuations in the monetary policy judgement.

Asset Price Bubbles Dec 20 2022 A study of asset price bubbles and the implications for preventing financial instability.

Three Essays on Information and Asset Pricing Mar 19 2020 The second essay examines the effect of a short-sale constraint on risky asset price in a rational expectations model with asymmetric information. Imposing a short-sale constraint creates two competing effects. On one hand, it reduces the risky asset supply and exerts upward pressure on asset price. On the other hand, it forces investors with negative views on asset payoff to be sidelined. The latter effect can reduce the informational efficiency of asset price, which in turn decreases investors' demand for the risky asset. Consequently, imposing a short-sale constraint can bias equilibrium asset price in either direction depending on which effect dominates. Empirical analysis using short interest and institutional ownership data suggests that an increase in short interest relative to shares outstanding for individual stocks reduces informational efficiency measured by the probability of information-based trading and leads to lower risk adjusted stock returns. The effect of short-sale constraint on return volatility is ambiguous.

Asset Price Bubbles, Price Stability, and Monetary Policy Oct 14 2019

Essays on Asset Pricing Aug 24 2020 This dissertation studies how asset prices are related to various macroeconomic and financial factors. In the first chapter, I examine the influence of external financing costs on growth and asset prices. Using U.S. high-tech firm data and the aggregate financing cost measure of Eisfeldt and Muir (2016), I find that an increase in financing cost can have negative effects on R&D by reducing equity finance. This result suggests that financing cost can have substantial impacts on long-run productivity through the R&D channel. Motivated by this idea, I construct a general equilibrium model where financing costs affect innovation activities and future productivity. My model endogenously generates long-run risk and matches key features of macroeconomic and asset price data. The model produces a sizable equity premium, doing a good job of matching macro moments in the data. Furthermore, a large risk premium of R&D-intensive stocks is justified in the model as in the data. In addition, as a higher financing cost forecasts lower productivity growth in the model, this prediction is supported by empirical evidence. In the second chapter, I investigate whether heterogeneity between domestic and foreign households can help explain the cross-section of stock returns. For this analysis, I apply Yogo's (2006) durable consumption model to a two-country setting using Korean stock market data. In Korea, U.S. investors have been a dominant foreign investor group, given that the total share of foreigners is considerably large. By incorporating the stochastic discount factor of the U.S. into the model, I find that it plays a significant role in pricing assets. In particular, our model is successful in accounting for the expected excess return of relatively high book-to-market equity groups, producing lower pricing errors than the Fama-French 3 factor model. In the third chapter, I study the effects of debt maturity choice on stock returns and financial structure. I construct a model where firms can issue both short-term and long-term bonds, subject to collateral constraints. I also assume that, when they run financial deficits, firms use equity finance paying issuance costs. The model performs well in matching empirical facts about stock returns and the financial structure of firms. In addition, the model provides an

interesting implication that firms substitute between leverage and maturity. In the literature, theoretical explanations for the substitution relationship have been mainly based on conflicts between stakeholders. Without hinging on the contract-theoretic approach, my model replicates the theoretical prediction.

Effects of the Developments of Knowledge-based Economy on Asset Price Movements Aug 16 2022

Machine Learning in Asset Pricing Sep 05 2021 A groundbreaking, authoritative introduction to how machine learning can be applied to asset pricing Investors in financial markets are faced with an abundance of potentially value-relevant information from a wide variety of different sources. In such data-rich, high-dimensional environments, techniques from the rapidly advancing field of machine learning (ML) are well-suited for solving prediction problems. Accordingly, ML methods are quickly becoming part of the toolkit in asset pricing research and quantitative investing. In this book, Stefan Nagel examines the promises and challenges of ML applications in asset pricing. Asset pricing problems are substantially different from the settings for which ML tools were developed originally. To realize the potential of ML methods, they must be adapted for the specific conditions in asset pricing applications. Economic considerations, such as portfolio optimization, absence of near arbitrage, and investor learning can guide the selection and modification of ML tools. Beginning with a brief survey of basic supervised ML methods, Nagel then discusses the application of these techniques in empirical research in asset pricing and shows how they promise to advance the theoretical modeling of financial markets. Machine Learning in Asset Pricing presents the exciting possibilities of using cutting-edge methods in research on financial asset valuation.

Stock Market Liquidity Jul 15 2022 Brings together today's best financial minds across the world to discuss the issue of liquidity in today's markets. It is often proxied by trade-based measures (such as trading volume, frequency of trading, dollar value of shares trade, etc), order based measures and price impact measures.

Asset Pricing Under Asymmetric Information Nov 26 2020 Asset prices are driven by public news and information that is often dispersed among many market participants. These agents try to infer each other's information by analyzing price processes. In the past two decades, theoretical research in financial economics has significantly advanced our understanding of the informational aspects of price processes. This book provides a detailed and up-to-date survey of this important body of literature. The book begins by demonstrating how to model asymmetric information and higher-order knowledge. It then contrasts competitive and strategic equilibrium concepts under asymmetric information. It also illustrates the dependence of information efficiency and allocative efficiency on the security structure and the linkage between both efficiency concepts. No-Trade theorems and market breakdowns due to asymmetric information are then explained, and the existence of bubbles under symmetric and asymmetric information is investigated. The remainder of the survey is devoted to contrasting different market microstructure models that demonstrate how asymmetric information affects asset prices and traders' information, which provide a theoretical explanation for technical analysis and illustrate why some investors "chase the trend." The reader is then introduced to herding models and informational cascades, which can arise in a setting where agents' decision-making is sequential. The insights derived from herding models are used to provide rational explanations for stock market crashes. Models in which all traders are induced to search for the same piece of information are then presented to provide a deeper insight into Keynes' comparison of the stock market with a beauty contest. The book concludes with a brief summary of bank runs and their connection to financial crises.

The Effect of Costly Consumption Adjustment on Asset Price Volatility Aug 04 2021

Asset Price Bubbles and Challenges to Central Banks Jan 29 2021

Market Liquidity Jun 02 2021 This book presents the theory and evidence on the effect of market liquidity and liquidity risk on asset prices and on overall securities market performance.

Illiquidity means incurring a high transaction cost, which includes a large price impact when trading and facing a long time to unload a large position. Liquidity risk is higher if a security becomes more illiquid when it needs to be traded in the future, which will raise trading cost. The book shows that higher illiquidity and greater liquidity risk reduce securities prices and raise the expected return that investors require as compensation. Aggregate market liquidity is linked to funding liquidity, which affects the provision of liquidity services. When these become constrained, there is a liquidity crisis which leads to downward price and liquidity spiral. Overall, the volume demonstrates the important role of liquidity in asset pricing.

Search Frictions and Asset Price Volatility Dec 08 2021

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