

MT-528	Finance Theory and Asset Pricing
	<p><u>Portfolio Theory:</u> Portfolio construction, Transaction costs, Performance analysis and statistical significance, Characteristic portfolio theory.</p> <p><u>Discrete models of asset pricing:</u> Review of binary tree model, General discrete models, Arbitrage, Martingale measures, Forwards & futures</p> <p><u>Continuous time asset pricing:</u> Ito calculus, Girsanov and martingale representation theorems, Interest rate models, Short rate, <i>Heath-Jarrow-Morton (HJM) Model</i>, Multifactor.</p> <p><u>Corporate Applications:</u> Convertible bonds, Warrants, Employee stock options, Derivatives in acquisitions.</p> <p><u>Reference Books</u></p> <ol style="list-style-type: none">1. Neftci S, <i>Principles of Financial Engineering</i>, 2nd Edition, Elsevier, 2009.2. Beaumont P.H, <i>Financial Engineering: Principles</i>, John Wiley & Sons, 2003.3. Frank M, <i>Finance Theory and Asset Pricing</i>, OXFORD University Press, 1999.