B9327-001 Empirical Asset Pricing II
Fall 2019
Course Outline and Syllabus

This draft: September 27, 2018 (subject to future revisions)

Contact Information:
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Schedule
The class takes place on Wednesdays from 2.15-5.30pm with a 15 minute break from 3.45-4pm. The first class is on September 5. The last class is on December 5. There is no class on October 17 and on November 21. There is class on Yom Kippur (Sept 19). The classroom is Uris 140.

Description
The course provides a review of recent research in empirical asset pricing. The course format will be a mixture of lectures and current paper presentations. The goal is to connect empirical methods to theoretical concepts, and ultimately to create ideas for independent research in asset pricing.

Prerequisites
The course is designed for PhD and MS students in finance. The suggested prerequisites are Econometrics, Financial Econometrics or Time Series Analysis, Finance Theory I, and Empirical Asset Pricing I. You may take the course without all these prerequisites at your own peril. At least one PhD-level finance course on asset pricing and one PhD-level course on statistics or
econometrics is required. Students are also encouraged to take “Asset Pricing: Theory and Evidence” (in CBS finance) or “Macro Finance” (in the CU economics department) concurrently, before, or after this course. This course is designed to have minimal overlap with the preceding courses.

Requirements
There are two requirements for this course. The first is that you make a 30 minute presentation of one of the papers on the syllabus. This will account for 1/3rd of your grade.

The second requirement is that you write a term paper. The minimum requirement for the paper is that you survey one of the areas covered in this class in more depth, assess what the contributions of the papers are, discuss their strengths and weaknesses, and propose how they could be extended or improved. A better paper would replicate and extend one of the papers we read, which is a great way to start a research project. Of course, de novo research ideas would be the best. The due date for the paper is one week after the last day of class. The paper accounts for 2/3rd of your grade.

Materials
Articles and lecture notes that we will be covering will be available on Canvas. If you want to work in this area, you will need to develop a working knowledge of Matlab, R, Stata and/or Python.

Excellent reference books are the following:


The reading list below cites the papers we will discuss, some in more detail than others, and a few are there for your own reference only. The key papers which I would like you to read before class are indicated with a star.
Week 1 – September 5

**Topic: Equity Return Predictability: The Role of Cash Flows and Discount Rates**


Lettau, Martin and Stijn Van Nieuwerburgh, 2008, Reconciling the Return Predictability Evidence, Review of Financial Studies 21, 1607-1652

Week 2 – September 12
Topic: The Cross-Section of Stock Returns and the Factor Zoo


Feng, Guanhao, Stefano Giglio, and Dacheng Xio, 2017, Taming the Factor Zoo, Working Paper Yale School of Management


*Harvey, Campbell, Yan Liu, and Heqing Zhu, 2016, ... and the Cross-Section of Expected Returns, Review of Financial Studies 29, 5-68.


Lettau, Martin and Markus Pelger, 2018, Factors that fit the time series and cross-section of stock returns, Working Paper Stanford University.
Week 3 – September 19

Topic: Intermediary-based Asset Pricing


Week 6 – October 10
Topic: Hedge Funds and Mutual Funds


Week 7 – October 24
Topic: Volatility


Week 8 – October 31

Topic: Term Structure Models


Bauer, Michael and James Hamilton, 2017, Robust Bond Risk Premia, Review of Financial Studies 31, 399-448


Ludvigson, Sydney and Serena Ng, 2009, Macro Factors in Bond Risk Premia, The Review of Financial Studies 22, 5027-5067

Week 9 – November 7, 2018
Topic: Corporate Bonds and CDS


*Gilchrist, Simon and Egon Zakrajšek, 2012, Credit Spreads and Business Cycle Fluctuations, American Economic Review 102, 1692-1720

*Greenwood, Robin and Samuel Hanson, 2013, Issuer Quality and Corporate Bond Returns, Review of Financial Studies 26, 1483-1525


Killian, Lutz, 2009, Not All Oil Price Shocks Are Alike: Disentangling Demand and Supply Shocks in the Crude Oil Market, American Economic Review 99, 1053-1069


Ready, Robert, Nick Roussanov, and Colin Ward,

Week 12 – December 5
Topic: Real Estate and MBS


Diep, Peter, Andrea Eisfeldt, and Scott Richardson, 2017, Prepayment Risk and Expected MBS Returns, Working Paper, UCLA.


Giglio, Stefano, Matteo Maggiori, and Johannes Stroebel, 2015, Very Long-Run Discount Rates, Quarterly Journal of Economics 130, 1-53.

Giglio, Stefano, Matteo Maggiori, and Johannes Stroebel, 2018, Climate Change and Long-Run Discount Rates, Journal of Political Economy, under review.


Sagi, Jacob, 2018, Asset-Level Risk and Return in Real Estate Investments, Working Paper, UNC.