

Stochastic Models of Asset Pricing

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Class hours: Monday 14:20 – 17:20

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OBJECTIVE: After taking this course, the students would gain a solid knowledge of the theory of stochastic processes used in asset pricing.

Textbook

1. Sheldon, Ross, 1996, *Stochastic Processes*, 2nd ed., Wiley.

TOPICS: Renewal Theory, Markov Chains, Martingales, Random Walks, Brownian Motion (if time allows), Applications in Asset Pricing.

GRADING: Mid-Term Exam: 30%. Final Exam: 30%, Assignments: 20%, Class Participation: 20%.