Seminar in Financial Economics

Supervision: Thomas Lux, Jaba Ghonghadze

Time and Place: A first meeting will be held on 26 March 2015, 9 a.m., room 505


Master’s Programmes:
Economics, Quantitative Economics, Quantitative Finance, BWL mit WPF VWL,
Wirtschaftsinformatik mit Vertiefung VWL,

Diploma Programmes:
Theoretische VWL Hauptstudium und Wirtschaftspolitik Hauptstudium

The seminar is mainly geared towards M.Sc. students in Economics and Quantitative Finance, but might also be attended by Diploma students or students of other fields with an economics minor (i.e., Nebenfach). The seminar will be held as a 4-6 (half) day course during the summer term 2015 after consultation with the registered participants. Successful participation is rewarded with 5/6 ECTS for Master and 4 PP for Diploma students.

The language for all presentations and seminar papers is English.

Contents: The seminar will cover selected important developments in derivative pricing and the theory of financial markets. It partially expands on material presented in the lectures "Theory of Financial Markets" (Winter Term) and "Pricing in Derivative Markets" (Summer Term). While participation in the preceding lectures is not a necessary condition for admission to the seminar, students should make sure that they have sufficient knowledge in the basic material in order to deal successfully with the advanced topics covered in the seminar. The following subjects can be chosen for seminar presentations:

Derivative Pricing

1. Option Pricing with Implied Binomial Trees
   Derman, Emanuel and Iraj Kani. 1994. Riding on a Smile. Risk

2. Finite Difference Algorithms in Option Pricing
   And many other sources
3. Monte Carlo Methods in Option Pricing
   And many other sources

4. Pricing of Options with Stochastic Volatility

5. Interest Rate Processes and Bond Prices
   And many other sources

Theory of Financial Markets

6. The Survival of Overconfident Traders

7. Overconfidence, Investor Psychology and "Market Anomalies"

8. Rigorous Statistical Tests of Technical Trading Rules

9. Bubbles in Experimental Asset Markets


10. Algo Trading, Liquidity and the Optimal Speed of Financial Market Activity

