

Financial Theory

Daniel Szpiro



Département d'économie

Economics Department

Contents

Session 1

CHAPTER 1. THE VALUE OF A DEBT SECURITY

Section 1 : Interest rate and the value of a security

Section 2 : The quality of the borrower

Section 3 : Equilibrium on an isolated market

- 3.1 Effect of the inflation outlook
- 3.2 Effect of a real shock
- 3.3 Effect of a monetary shock

Session 2

Section 4 : The trade-off between short and long term

- 4.1 Expectations theory
- 4.2 Preferred Habitat

Session 3

CHAPTER 2. THE VALUE OF A STOCK

Section 1: Fundamental value

- 1.1 Definition of the fundamental value
- 1.2 Approximation of Gordon-Shapiro, the Price/Earnings Ratio
- 1.3 Market efficiency

Session 4

1.4 Market anomalies

Section 2 : Speculative bubbles

- 2.1 Definition of the rationality of a bubble
- 2.2 Theoretical existence of a rational bubble
- 2.3 Stochastic bubbles

Session 5

Section 3 : Behavioural finance

- 3.1 Experiments on imitation
- 3.2 Is it rational to mimic?
- 3.3 Composition effects