

# Contents

Preface .....	vii
<b>PART I: INTRODUCTION</b> 1	
Chapter 1: On the Role of Financial Markets and Institutions .....	3
Chapter 2: The Challenges of Asset Pricing: A Road Map .....	23
<b>PART II: THE DEMAND FOR FINANCIAL ASSETS</b> 33	
Chapter 3: Making Choices in Risky Situations .....	35
Chapter 4: Measuring Risk and Risk Aversion .....	57
Chapter 5: Risk Aversion and Investment Decisions, Part I .....	75
Chapter 6: Risk Aversion and Investment Decisions, Part II: Modern Portfolio Theory .....	93
<b>PART III: EQUILIBRIUM PRICING</b> 119	
Chapter 7: The Capital Asset Pricing Model (CAPM) .....	121

Chapter 8: Arrow–Debreu Pricing, Part I .....	145
Chapter 9: The Consumption Capital Asset Pricing Model (CCAPM) .....	161
<b>PART IV: ARBITRAGE PRICING</b>	<b>193</b>
Chapter 10: Arrow–Debreu Pricing, Part II .....	195
Chapter 11: The Martingale Measure: Part I .....	225
Chapter 12: The Martingale Measure: Part II .....	249
<b>PART V: EXTENSIONS</b>	<b>275</b>
Chapter 13: The Arbitrage Pricing Theory .....	277
Chapter 14: Portfolio Management in the Long Run .....	287
Chapter 15: Financial Structure and Firm Valuation in Incomplete Markets .....	319
Chapter 16: Financial Equilibrium with Differential Information .....	337
<b>EXERCISES</b>	<b>351</b>
<b>Index</b>	<b>373</b>