APCTP SEMINAR

Negative Income Shocks and Asset Pricing

박세영 박사(영국 노팅엄 경영대학교)

December 31 (Wed) 16:00~
포항 APCTP 회의실

Rare but large negative income shocks can occur due to pandemics, technological disruption, etc. We study the impact of these shocks on asset pricing by adding them to the classic Friedman's permanent income hypothesis. Our model yields analytical solutions for the equilibrium interest rate and state price density. The income shocks can lead to interesting phenomenon that the equilibrium interest rate is a decreasing function of the risk aversion, helping to disentangle the risk-free rate and equity premium. As a result, the model can fit both low risk-free rate and high equity premium by using a small number of parameters.

■ **Contact information**

Office: Research Support Team (ra@apctp.org)

The APCTP is supported by the Korean Government through the Science and Technology Promotion Fund and Lottery Fund and strives to maximize social value through its various activities.
아시아태평양이론물리센터는 정부의 과학기술진흥기금 및 복권기금 지원으로 사회적 가치 제고에 힘쓰고 있습니다.