

“Information and Financial Markets”

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This course provides an in-depth introduction to standard theories of asset prices in markets with asymmetric information. It aims to build foundations regarding information efficiency, liquidity and the microstructure of financial markets. It examines information aggregation in markets with diversely informed investors and also information transmission and, hence, the value of information, in markets with investors possessing superior information. A central theme of the course is the price impact of liquidity shocks. This theme is studied in competitive models with noisy rational expectations, and also in strategic market microstructure models with a number of variations including insider trading and sequential trade and imperfect competition amongst both traders and market makers. This short and introductory course is necessary before undertaking further study and research in the areas of capital markets with frictions.

The main references for this course are Chapter 9 of my *Lectures on Financial Economics* available from www.antonioleme.org as well as textbooks and articles suggested during the lectures.