

Over the past decade all of my teaching and most of my research has focused on finance. Although I retired in 2009, I continue to supervise doctoral dissertations for students interested in continuous-time finance. The working paper “Stocks in the Short Run” (June 2011) is the product of joint research with four of those students: Ben Hood, Tin Shing Liu, Duke Whang and Peilan Zhou. Peilan is now at Citadel. Ben and Tin have just completed their theses. Duke is continuing our joint research, which will extend the work on intraday volatility in “Stocks in the Short Run” to covariation of asset prices with systematic risk factors, relating excess returns to exposure to systematic risk.

I am also working on a manuscript on financial markets. It is organized around the idea that the right place to apply continuous-time finance is within the trading day. When I started writing this manuscript a decade ago, the focus was entirely theoretical rather than empirical, using general equilibrium theory to understand asset pricing. Time was discrete. As I became more familiar with the finance literature and arbitrage-pricing with semimartingales, I became convinced economics in general and general equilibrium theory in particular have more to learn from finance than vice versa. In particular, a focus on the behavior of asset markets in the very short run has the potential to allow theory to interact with data analysis in a very powerful way.

I am also exploring the connection between housing returns and risk with Pat Bayer at Duke and Paul Ellickson at the University of Rochester. We sketched some of the theory in our *AER Papers and Proceedings Paper* (2010), “Dynamic Asset Pricing in a System of Local Housing Markets.” However, that sketch leaves out the crucial interaction of house prices with mortgage markets, which is the focus of our current research.