

**August 31<sup>st</sup>, 2018**  
**KAP 414**  
**3:30 P.M. – 4:30 P.M.**

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**“Equilibrium Asset Pricing with Transaction Costs”**

**Abstract:** We study a risk-sharing equilibrium where heterogeneous agents trade subject to a quadratic transaction costs. The corresponding equilibrium asset prices and trading strategies are characterized by a system of fully-coupled forward-backward stochastic differential equations. We show that a unique solution exists provided that the agents’ preferences are sufficiently similar.

(Joint work in progress with Martin Herdegen and Dylan Possamai)