Pricing in (In)Complete Markets: Structural Analysis and Applications (Lecture Notes in Economics and Mathematical Systems)

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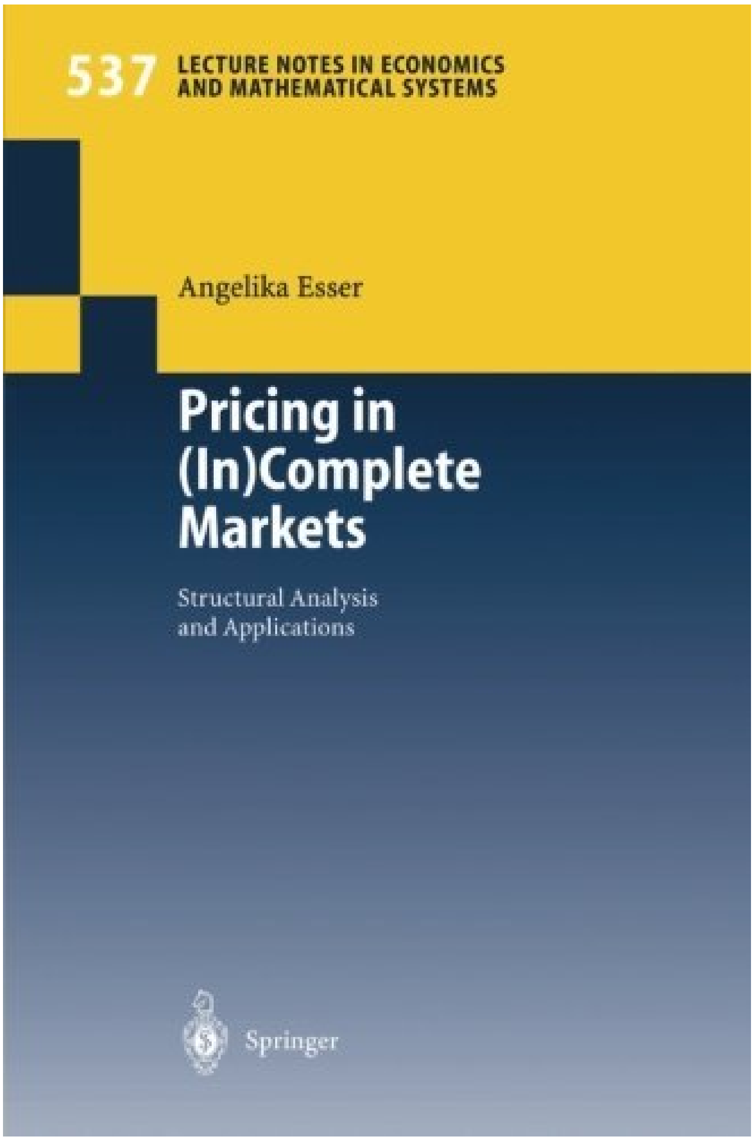

#4483311 in eBooks 2012-08-27 2012-08-27File Name: B000PY3VT8 | File size: 74.Mb

Angelika Esser : Pricing in (In)Complete Markets: Structural Analysis and Applications (Lecture Notes in Economics and Mathematical Systems) before purchasing it in order to gage whether or not it would be worth my time, and all praised Pricing in (In)Complete Markets: Structural Analysis and Applications (Lecture Notes in

Economics and Mathematical Systems):

In this book, the authorsnbsp;investigate structural aspects of no arbitrage pricing of contingent claims and applications of the general pricing theory in the context of incomplete markets. A quasi-closed form pricing equation in terms of artificial probabilities is derived for arbitrary payoff structures. Moreover, a comparison between continuous and discrete models is presented, highlighting the major similarities and key differences. As applications, two sources of market incompleteness are considered, namely stochastic volatility and stochastic liquidity. Firstly, the general theory discussed before is applied to the pricing of power options in a stochastic volatility model. Secondly, the issue of liquidity risk is considered by focusing on the aspect of how asset price dynamics are affected by the trading strategy of a large investor.