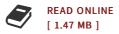




Risk-Neutral Valuation

By Bingham, Nicholas H. / Kiesel, Rüdiger

Book Condition: New. Publisher/Verlag: Springer, Berlin | Pricing and Hedging of Financial Derivatives | This second edition - completely up to date with new exercises - provides a comprehensive and self-contained treatment of the probabilistic theory behind the risk-neutral valuation principle and its application to the pricing and hedging of financial derivatives. On the probabilistic side, both discrete- and continuous-time stochastic processes are treated, with special emphasis on martingale theory, stochastic integration and change-of-measure techniques. Based on firm probabilistic foundations, general properties of discrete- and continuous-time financial market models are discussed. | ContentsPreface to the Second EditionPreface to the First Edition1. Derivative Background1.1 Financial Markets and Instruments1.1.1 Derivative Instruments1.1.2 Underlying Securities1.1.3 Markets1.1.4 Types of Traders1.1.5 Modeling Assumptions1.2 Arbitrage1.3 Arbitrage Relationships1.3.1 Fundamental Determinants of Option Values1.3.2 Arbitrage Bounds1.4 Single-period Market Models1.4.1 A Fundamental Example1.4.2 A Single-period Model1.4.3 A Few Financial-economic ConsiderationsExercises 2. Probability Background2.1 Measure2.2 Integral2.3 Probability2.4 Equivalent Measures and Radon-Nikodym Derivatives2.5 Conditional Expectation2.6 Modes of Convergence 2.7 Convolution and Characteristic Functions 2.8 The Central Limit Theorem 2.9 Asset Return Distributions2.10 In.nite Divisibility and the L evy-Khintchine Formula2.11 Elliptically Contoured Distributions2.12 Hyberbolic DistributionsExercises 3. Stochastic Processes in Discrete Time3.1 Information and Filtrations3.2 Discrete-parameter Stochastic Processes3.3 De.nition and Basic Properties of Martingales 3.4 Martingale Transforms 3.5 Stopping...



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