

Math 454 - Spring 2021 - Homework 05

Published: Thursday, February 11, 2021

Status - Reading Assignments:

Here is the status of the reading assignments you were asked to complete by this date plus the material taught in class without assigned reading.

SCF2 (Shreve Textbook):
ch.1-3

MF454 lecture notes:
ch.2 – 5, ch.6 through Definition 6.6 (Hedging/Replicating Portfolio), ch.7 (all that is published so far)

Other: Nothing assigned yet

New reading assignments:

Reading assignment 0 - due ASAP:

- Read the additions chapter 6: Financial Models - Part 1 which I published in MF454 ver 2021-03-11. I will lecture about that on Fri March 12.

Reading assignment 1 - due Monday, March 15:

- a. Study for exam 1.
- Conditional expectations will be disproportionately important so you should revisit Shreve ch.2 and MF ch.5
- Also revisit proofs about integration that use the standard machine.

Reading assignment 2 - due: Wednesday, March 17 (Recuperation day - no lecture!)

- a. In case you can find a link to it look at p.130-135 of Brownian Motion Calculus by Ubbo F. Wiersema (Wiley, 2008). I have not been able today to locate it. These pages are about the one period binomial model I have been lecturing about.

Reading assignment 3 - due Friday, March 12:

- a. Carefully read SCF ch.4.2, Itô's Integral for Simple Integrands. It is rather leisurely written and having a good grasp of that material will make it easier for you to understand the general theory of integration with respect to Brownian motion.

Written assignments: TBD – TBD – TBD – TBD

General note on written assignments: I will not collect those assignments for grading but doing them might be helpful for your quizzes and exams.