In-tutorial exercise sheet 3

supporting the lecture Mathematical Finance and Stochastic Integration

(Discussion in the tutorial on 29. November 2016, 14:15 Uhr)

Exercise P.4.

Consider a trivial HJM Model where the forward rates $f(t, T)$ are deterministic. Show that all forward measures collapse into the risk-neutral measure, i.e. $\mathbb{Q} = \mathbb{Q}^T$, by

a) thinking about the difference between a forward and the risk neutral measure and why forward measures were introduced.

b) simply proving it.