

$$\rightarrow \int_{\bar{E}}^{\infty} \frac{\partial^2 (\sigma^2 \tilde{s}^2 p)}{\partial \tilde{s}^2} (s - \bar{E}) d\tilde{s}$$

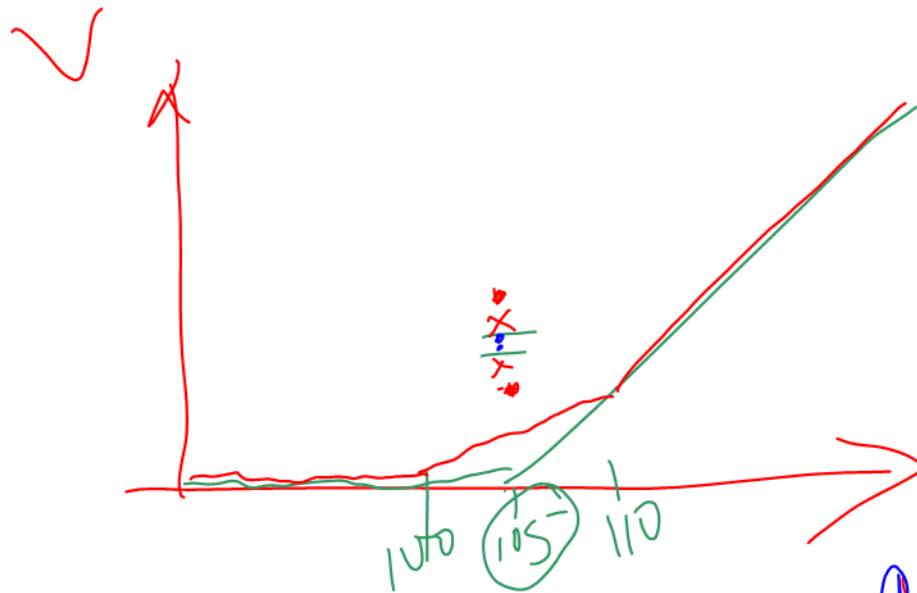
$$= \left[(s - \bar{E}) \frac{\partial (\sigma^2 \tilde{s}^2 p)}{\partial \tilde{s}} \right]_{\bar{E}}^{\infty} - \int_{\bar{E}}^{\infty} \frac{\partial (\sigma^2 \tilde{s}^2 p)}{\partial \tilde{s}} d\tilde{s}$$

$$= 0 - 0 - \left[\sigma^2 \tilde{s}^2 p \right]_{\bar{E}}^{\infty}$$

$$= \sigma^2 \bar{E}^2 p \leftarrow$$



$$\underline{17 < \sigma < 23}$$



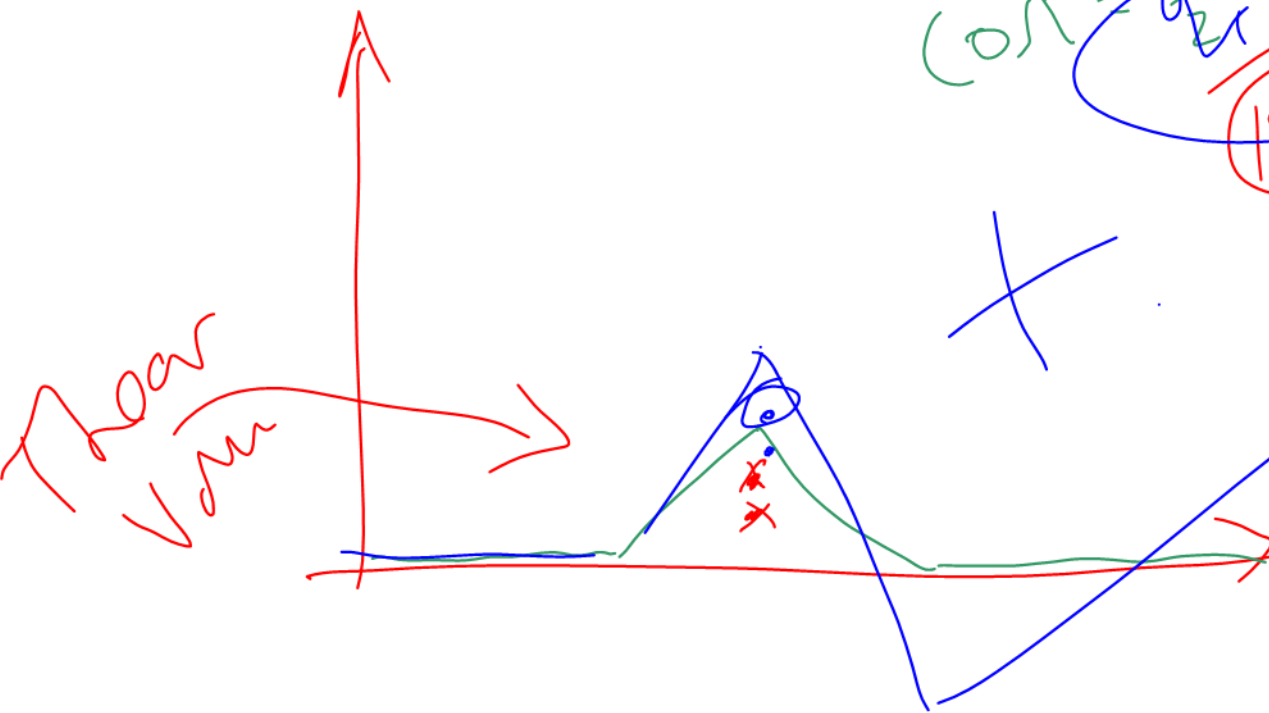
Static Hedge

$$q_1(100 \text{ call}) + q_2(110 \text{ call})$$

Actual

$$\text{Cost} = \frac{1}{2} (0.5 \times 100 + 0.5 \times 110)$$

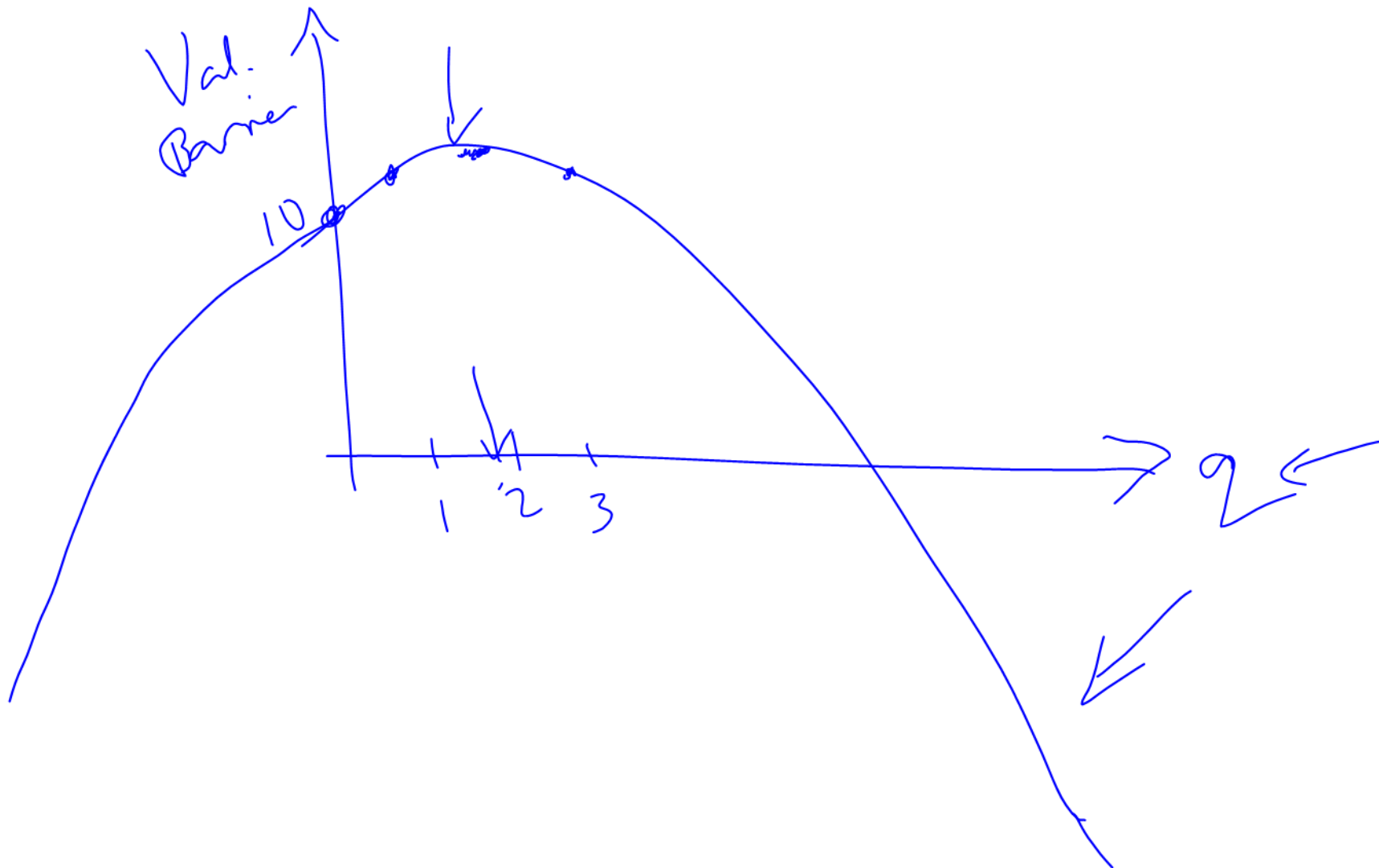
The expression is circled in blue, with '105' circled in red below it.



Thour Low

Residual Risk

~~10~~
10



Numerics

Classical

Uncertainty

1 barrier

1

2+

10 barrier

10

$2^{10}+$



For $k = 1$ to NextIndexPS
For $i = 1$ to $\text{Game} - \text{val} + 1$
 $\text{val} = \text{val} + \text{val} / k$

BS

Next

Next

