

100.2

0.4

$$\frac{0.6 - 0.55}{0.55}$$

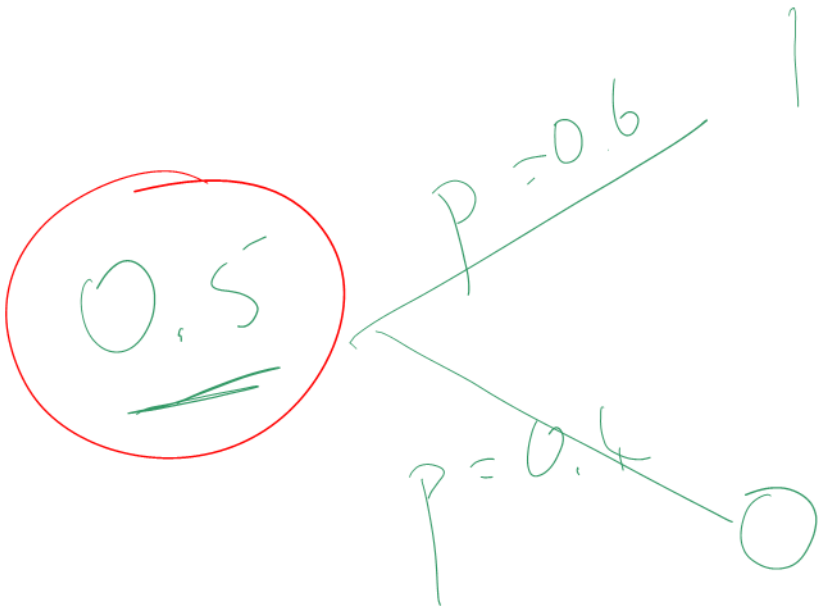
9.6

0.55

0.05

$$\frac{0.6 - 0.5}{0.5}$$

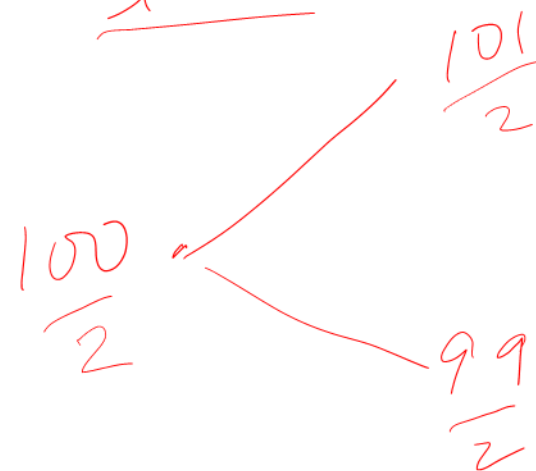
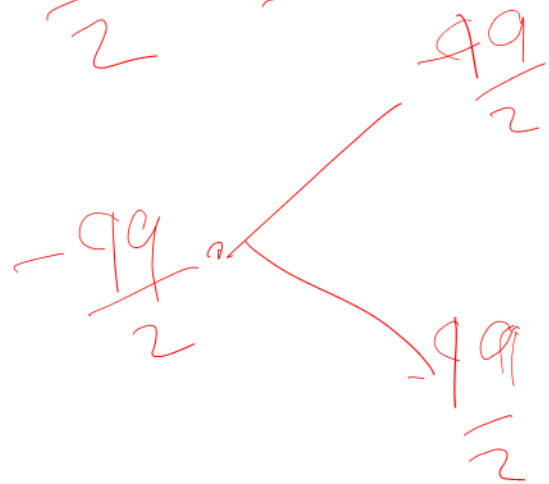
20.2



Complete Markets

$-\frac{99}{2}$ Cash

$+\frac{1}{2}$ Stock



REPLICATION

$$\frac{100}{2} - \frac{99}{2} = 0.5$$

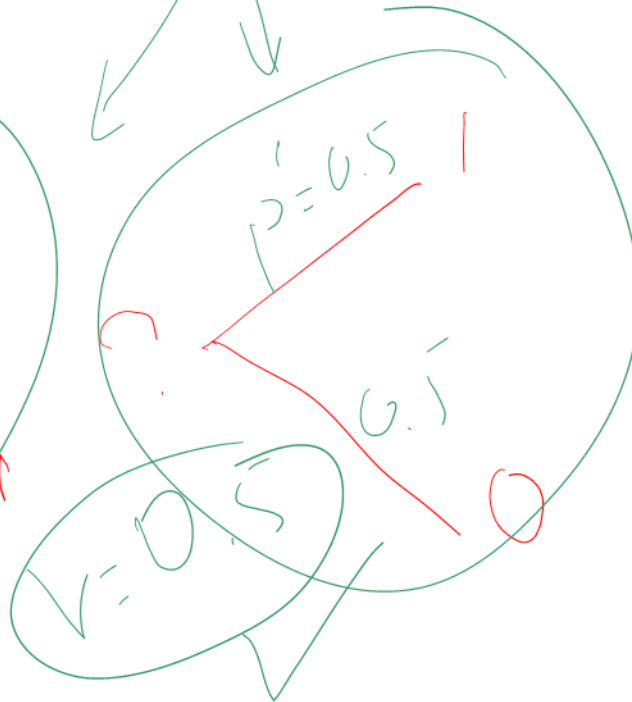
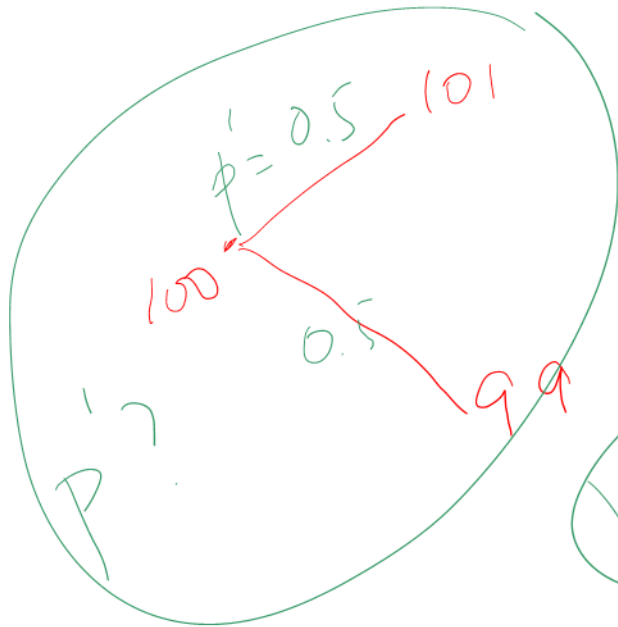
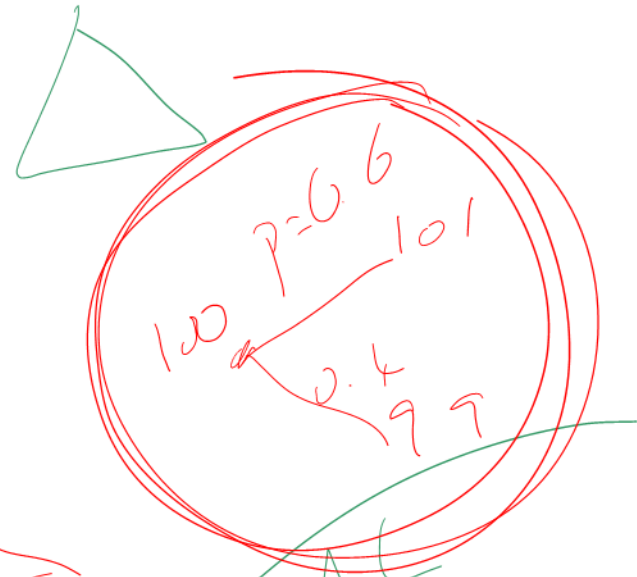
$$\frac{101}{2} - \frac{99}{2} = 1$$

$$\frac{99}{2} - \frac{99}{2} = 0$$

RISK-NEUTRAL

DATA (f)

Abstract
Prob. Theor. (f)
Risk



$V=0.5$

REAL

"Beat the
Dudes"

Ed Thorp

