

Summary

WI4425 - Financial Markets Theory

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Lecture	Reading	Exercises	Document
1	1.1, 1.2	1 & 2	FMT 1
2	1.3, 2.1	3 & 5	FMT 1
3	2.1, 2.2	4, 1	FMT 1, FMT 2
4	2.2, 2.3	2	FMT 2
5	2.3	3.6 & 3.8	Book
6	2.3, 2.4	1	Insurance Dominance
7	3.1, 3.2	2	Insurance Dominance
8	3.3, 3.4, 5.1	All	Portfolio
9	5.2, 5.3	All	Risk neutral measure
10	4.4	All	Risk neutral measure

Table 1: Overview of the lectures, readings, exercises and documents.

Chapter	Sections
1	1.1, 1.2, 1.3
2	2.1, 2.2, 2.3, 2.4
3	3.1, 3.2, 3.3, 3.4
4	4.4
5	5.1, 5.2, 5.3

Table 2: Overview of the chapters and sections.

Disclaimer

This document is not written by the lecturer, but by a student. It is not guaranteed to be free of errors, nor is it guaranteed to be complete. It is not a replacement for the lectures, nor for the book. It is merely a summary of the lectures and the book, and is intended to be used as a study aid. Use at your own risk.

Auke Schaap, July 4, 2023

Contents

1	Choices under certainty
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1 Choices under certainty

The couple (X, \mathcal{R}) , represents the *agent's choice problem*, where

- X is a set of choices, which, in the classical consumption problem, concerns bundles of goods. X is therefore a subset of \mathbb{R}^L , where $L \in \mathbb{N}$ is the number of goods.
- \mathcal{R} is a (weak) *preference relation* on X . Given $x, y \in X$, if $x \mathcal{R} y$ we say that the bundle of goods x is at least as preferred as the bundle of goods y .

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