Indifference Pricing: Theory and Applications (Hardback)

By -

Princeton University Press, United States, 2009. Hardback. Condition: New. Language: English. Brand new Book. This is the first book about the emerging field of utility indifference pricing for valuing derivatives in incomplete markets. Rene Carmona brings together a who's who of leading experts in the field to provide the definitive introduction for students, scholars, and researchers. Until recently, financial mathematicians and engineers developed pricing and hedging procedures that assumed complete markets. But markets are generally incomplete, and it may be impossible to hedge against all sources of randomness. Indifference Pricing offers cutting-edge procedures developed under more realistic market assumptions. The book begins by introducing the concept of indifference pricing in the simplest possible models of discrete time and finite state spaces where duality theory can be exploited readily. It moves into a more technical discussion of utility indifference pricing for diffusion models, and then addresses problems of optimal design of derivatives by extending the indifference pricing paradigm beyond the realm of utility functions into the realm of dynamic risk measures.Focus then turns to the applications, including portfolio optimization, the pricing of defaultable securities, and weather and commodity derivatives. The book features original mathematical results and an extensive bibliography and indexes....

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