Problem Set 10 *

Ian McGroarty

Course Number: 625.641

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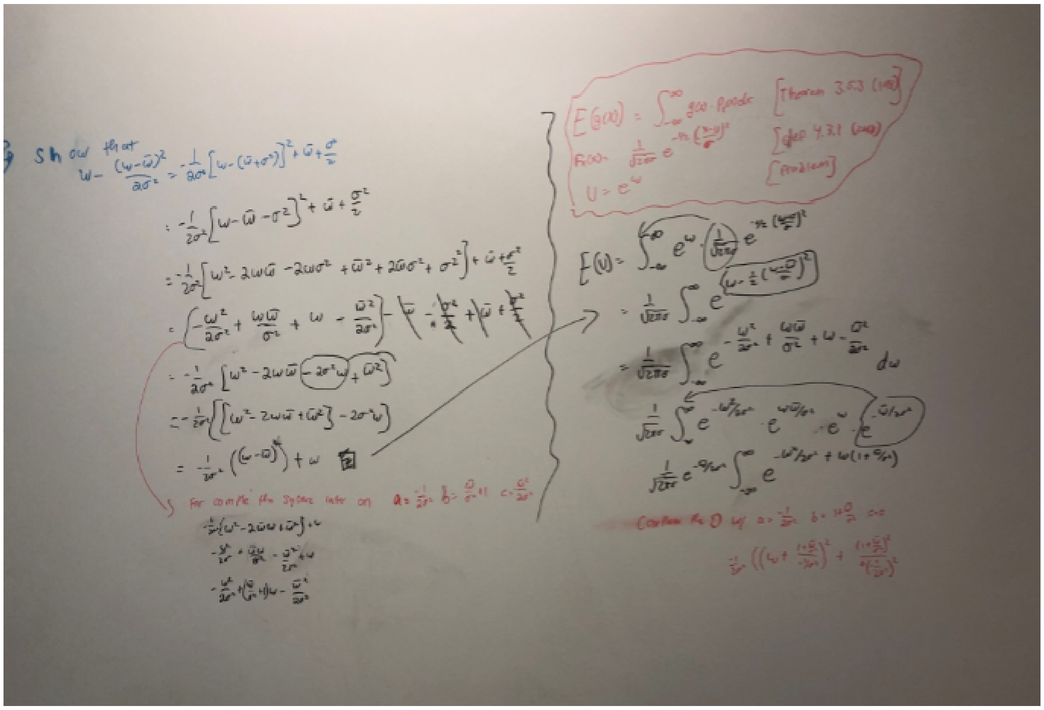
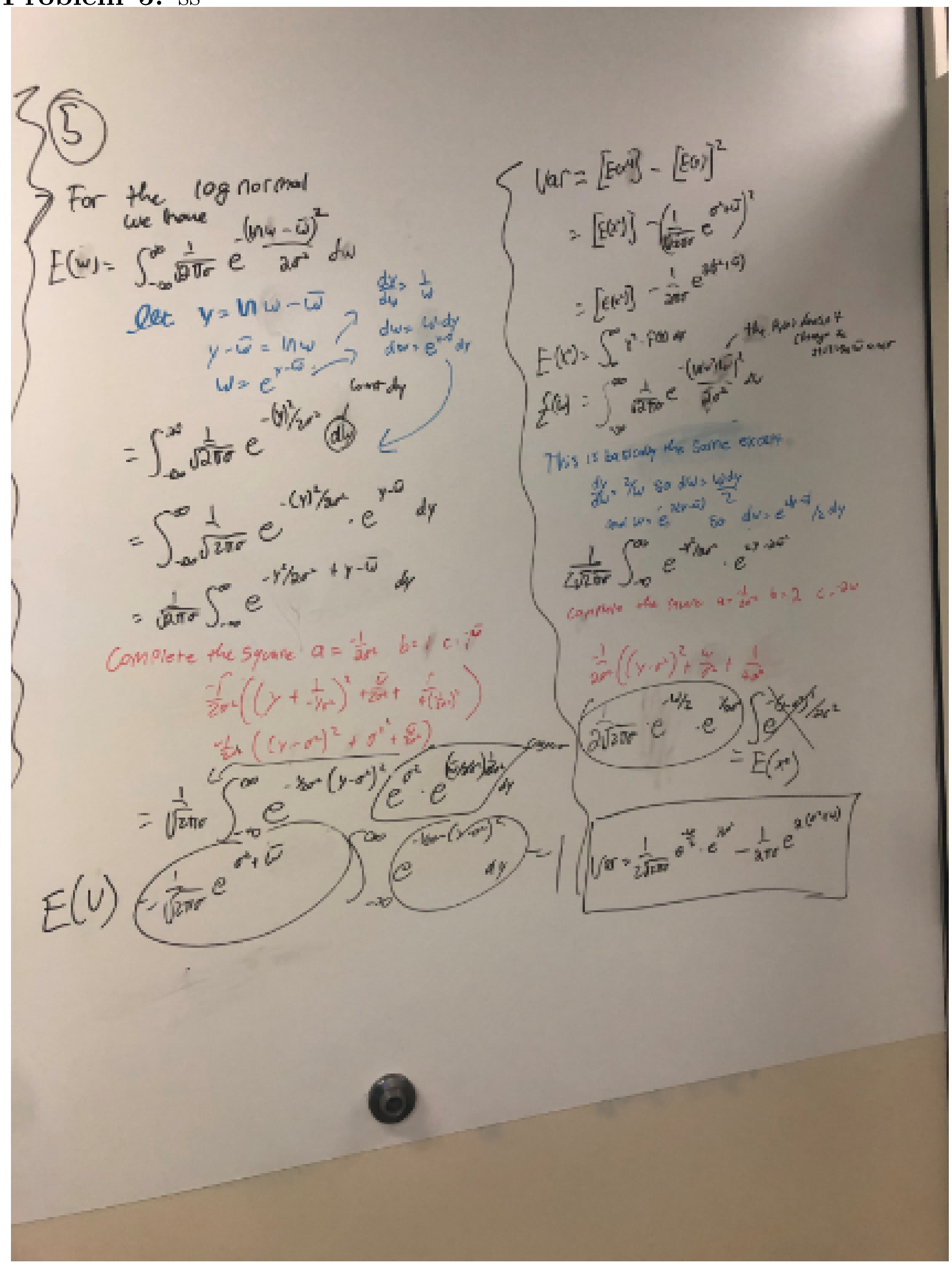
Sorry in advance. Its been a week, and I didn't really have time to do this. I've included photos of the white board on which I work these out. Let me know if you have any problems. Again sorry.

*Problems:4,5,6,7,10

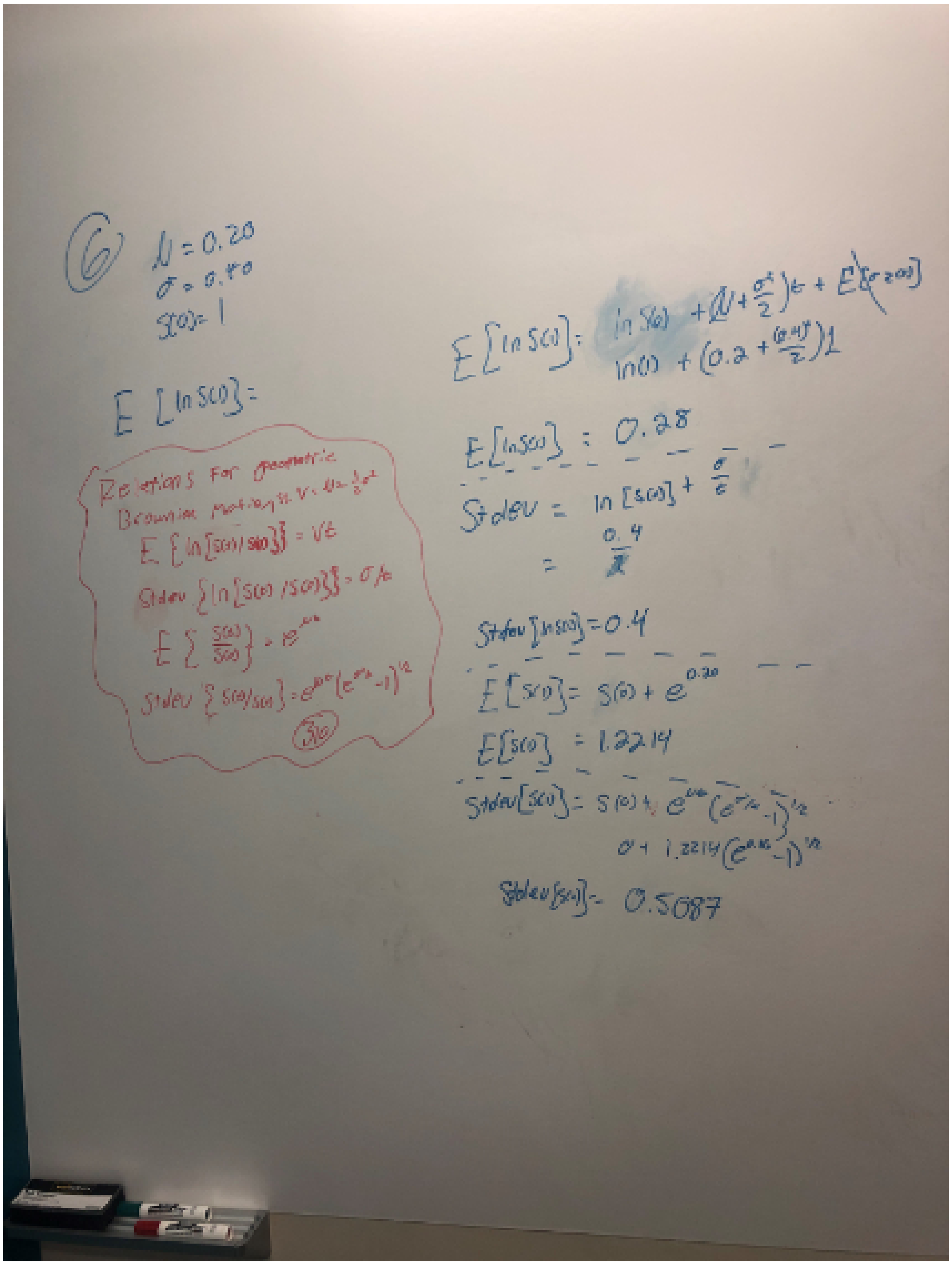
Problem 4. ss



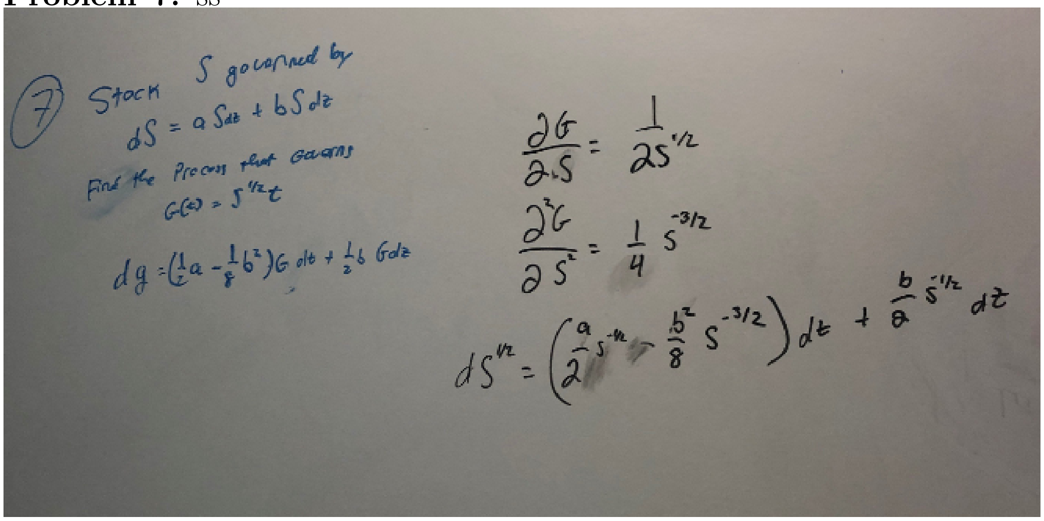
Problem 5. ss


For the log normal
we have
Let
Complete the square
This is basically the same except
Complete the square

Problem 6. ss


6
μ = 0.20
σ = 0.40
S(0) = 1
E [ln S(1)] =
Relations for geometric Brownian motion
E[ln S(1)] = 0.28
Stdev [ln S(1)] = 0.4
E[S(1)] = 1.2214
Stdev[S(1)] = 0.5087

Problem 7. ss



Problem 10. ss