



# Option Theory with Stochastic Analysis

By Fred Espen Benth

Springer Nov 2003, 2003. Taschenbuch. Book Condition: Neu. 235x155x9 mm. Neuware - The objective of this textbook is to provide a very basic and accessible introduction to option pricing, invoking only a minimum of stochastic analysis. Although short, it covers the theory essential to the statistical modeling of stocks, pricing of derivatives (general contingent claims) with martingale theory, and computational finance including both finite-difference and Monte Carlo methods. The reader is led to an understanding of the assumptions inherent in the Black & Scholes theory, of the main idea behind deriving prices and hedges, and of the use of numerical methods to compute prices for exotic contracts. Finally, incomplete markets are also discussed, with references to different practical/theoretical approaches to pricing problems in such markets. The author's style is compact and to-the-point, requiring of the reader only basic mathematical skills. In contrast to many books addressed to an audience with greater mathematical experience, it can appeal to many practitioners, e.g. in industry, looking for an introduction to this theory without too much detail. It dispenses with introductory chapters summarising the theory of stochastic analysis and processes, leading the reader instead through the stochastic calculus needed to perform the basic derivations...



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