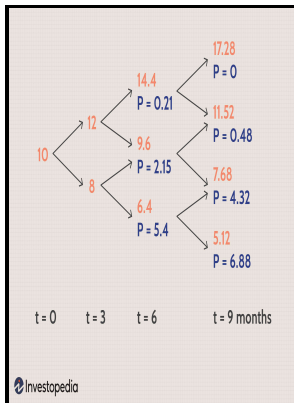# Option pricing under parameter uncertainty

Graduate School of Business, University of Texas at Austin : distributed by Bureau of Business Research, University of Texas at Austin - Option pricing under model and parameter uncertainty using predictive densities

Description: -
-
Electric generators.
Options (Finance) -- Mathematical models.Option pricing under parameter uncertainty
-
79-28.
Working paper (University of Texas at Austin. Graduate School of Business) ;
Working paper - Graduate School of Business, the University of Texas at Austin ; 79-28Option pricing under parameter uncertainty
Notes: Bibliography: leaves [25]-[26]
This edition was published in 1979

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Tags: #Affine #processes #under #parameter #uncertainty

European Option Pricing with Stochastic Volatility Models Under Parameter Uncertainty

The following result yields measurability of the nonlinear affine process starting at t in ω t. Fourier based methods for computing vanilla option values are nowadays the bread and butter in many risk management systems in the financial industry. Some commonly used models to value options are , , and.

Real Options and Investment Under Uncertainty: Classical Readings and Recent ...

Common practice when pricing options is to assume a specific model, such as geometric Brownian Motion, and to use point estimates of the model parameters, thereby precisely defining a density function.

Optimizing Healthcare Network Design Under Reference Pricing and Parameter Uncertainty

The nonlinear CIR model While the Gaussianity of the Vasiček model immediately implies that the process becomes negative with positive probability, this is inappropriate for various applications, e. By the above result, we can use the classical Fourier-inversion technique for these affine processes for the pricing of increasing and convex payoffs like Call options or decreasing and concave ones, see Section 10.

The Risk

Only the volatility of the underlying asset remains a matter of estimation. The modelling of a dynamic and unpredictable phenomenon like stock markets or interest rate markets is often approached via choosing an appropriate stochastic model.

[PDF] Real options approach to capacity planning under uncertainty

The claim then follows from Theorem 2. The study of investment under uncertainty was stagnant for several decades, until recent developments in real options provided the tools to revitalize the field. You may hear option traders say that levels are high or that premium levels are low.

Optimal Monopolist Pricing Under Demand Uncertainty in Dynamic Markets

Proof The claim follows by an application of Theorem 2.

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