Research Documentation - Stochastic Differential Equations Applied to the Linear Wave Equation Nicholas Maxwell; Dr. Bodmann

Part 1

 $W_t := W(t, \omega)$ a brownian motion. Discretize this and approximate as a random walk, then $dW_j := W(t_{j+1}, \omega) - W(t_j, \omega), dW_j \in \{-h, +h\}, \text{ with } t_j = h \cdot j, P(dW_j = +h) = P(dW_j = -h) = \frac{1}{2}.$ Then $t_0 = 0, W_{t_k} = \sum_{j=1}^k dW_j$

Implementation:

Let
$$y_j = \{1 \text{ if } dW_j = +1, 0 \text{ if } dW_j = -1\}$$
, then $dW_j = 2h y_j - h$, $W_{t_k} = \sum_{j=0}^k (2h y_j - h) = -k \cdot h + 2h \cdot \sum_{j=0}^k y_j$, so this looks like a binomial random variable.