Comments on Stochastic Financial Models
Official Notes

January 23, 2018

Contents

1 1

1.1 Proof of (1.5)

The last inequality proves $\pi_a(Y) \geq \pi_b(Y)$ because $\mathbb{E}[U(\frac{1}{2}(X'+X'')] \leq \sup_{X\in A} \mathbb{E}[U(X)]$, but adding the difference term makes LHS larger so since U is increasing, the added term must be positive.