

0.55

$$\frac{0.6 - 0.55}{0.55} =$$

$$\frac{0.05}{0.55} =$$

92

$$\frac{0.6 - 0.53}{0.53}$$

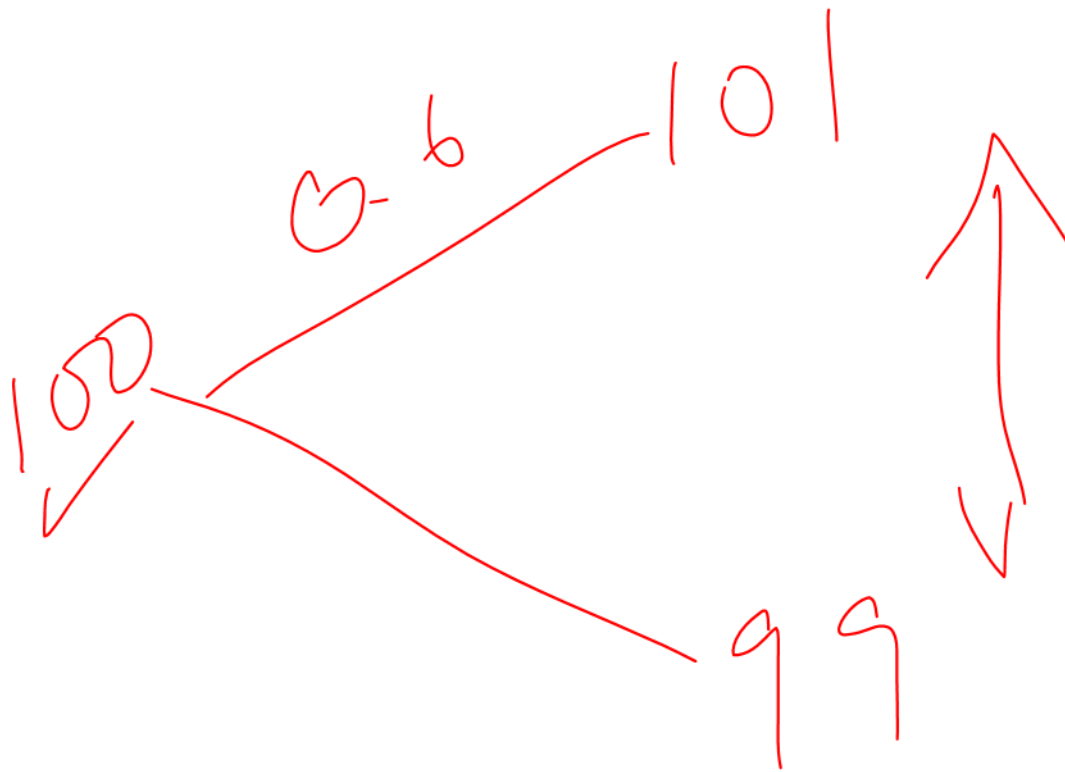
$$V = 0.5$$

0.05

0.52

0.03

~~0.5~~



# Replication

$$\begin{array}{l} - \frac{99}{2} \times \text{Cash} \\ + \frac{1}{2} \times \text{Stock} \end{array}$$

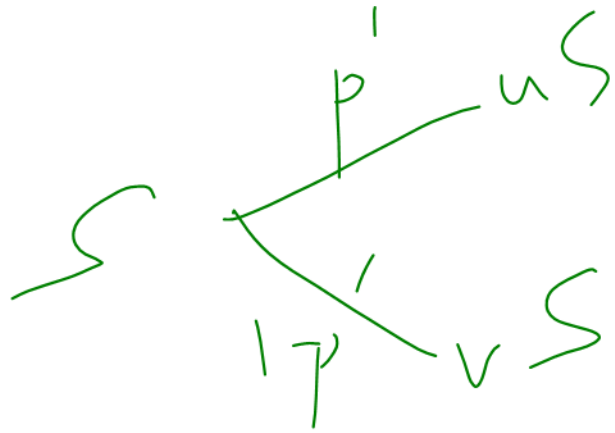
Diagram showing the replication strategy components and their values:

- $-\frac{99}{2}$  (linked to Cash)
- $+\frac{1}{2}$  (linked to Stock)
- Values associated with the replication:  $-\frac{99}{2}$ ,  $-\frac{99}{2}$ ,  $-\frac{99}{2}$ ,  $\frac{100}{2}$ ,  $\frac{101}{2}$ ,  $\frac{99}{2}$

$$\frac{1}{2} = \frac{100 - 99}{2}$$

Diagram showing the replication strategy components and their values:

- $\frac{100 - 99}{2} = 1$  (circled)
- $\frac{99 - 99}{2} = 0$  (circled)



$$1 + r_d - \beta = \frac{1 + r_d - \beta}{1 + r_d - \beta} (p' u \beta + (1 - p') v \beta)$$

$$1 + r_d - v = p' (u - v)$$

$$p' = \frac{1 + r_d - v}{u - v}$$

~~PRETEND~~

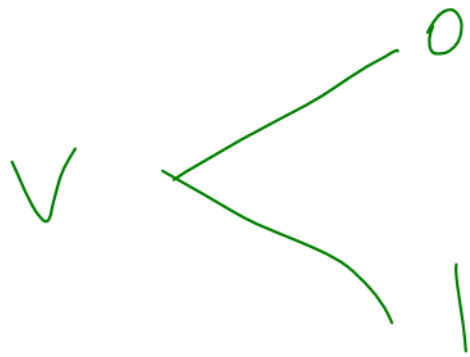
$$\sqrt{2} = \frac{m}{s}$$

$$2 = \frac{m^2}{s^2} = \frac{4s^2}{s^2}$$

$$\sqrt{2} \neq \frac{m}{s}$$

~~ASSUME~~

$$\frac{m}{s^2} = 2$$



$$V = 0.5$$

