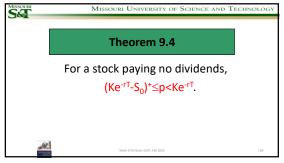


132

Example 9.3

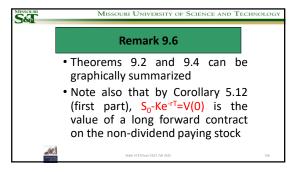
For a European call on a non-dividend paying stock with S₀=51, K=50, T=1/2, r=0.12, find the bounds on c.

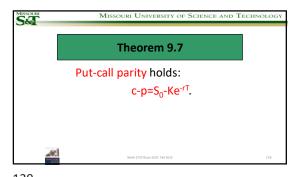


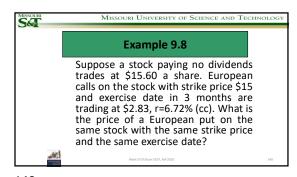
For a European put on a non-dividend paying stock with S₀=38, K=40, T=1/4, r=0.1, find the bounds on p.

135 136 137

134





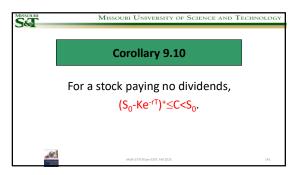


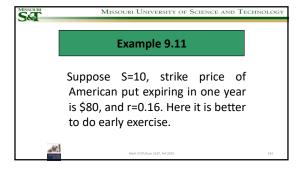
138 139 140

Theorem 9.9

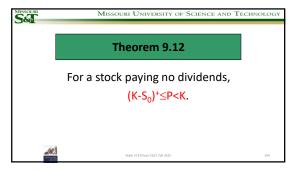
For a stock paying no dividends,

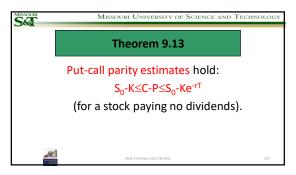
C=C.

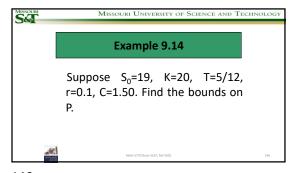




141 142 143







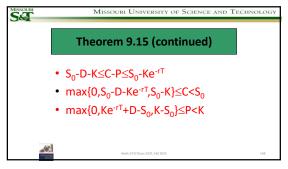
144 145 146

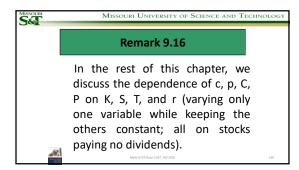
Theorem 9.15

For a stock paying dividends with present value D,

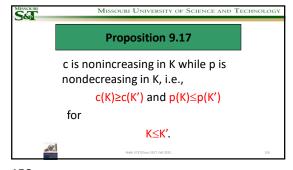
• $(S_0$ -D- Ke^{-rT})+ $\leq c < S_0$ -D

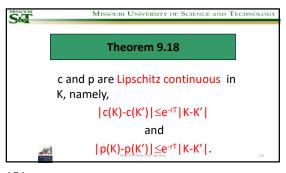
• $(Ke^{-rT}+D-S_0)+\leq p < Ke^{-rT}$ • $c-p=S_0$ -D- Ke^{-rT}

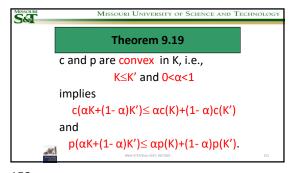




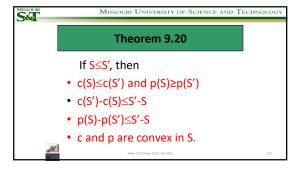
147 148 149

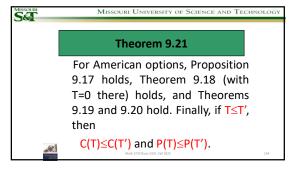


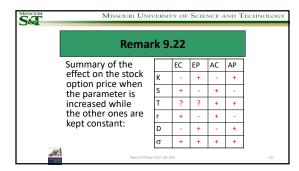




150 151 152







153 154 155