

عنوان مقاله:

Hedging of Options in Jump-Diffusion Markets with Correlated Assets

محل انتشار:

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خلاصه مقاله:

We consider the hedging problem in a jump-diffusion market with correlated assets. For this purpose, we employ the locally risk-minimizing approach and obtain the hedging portfolio as a solution of a multidimensional system of linear equations. This system shows that in a continuous market, independence and correlation assumptions of assets lead to the same locally risk-minimizing portfolio. In addition, we investigate the sensitivity of the risk with respect to the variation of correlation parameters, this enables us to select the more profitable portfolio. The results show that the risk increases, with increasing the correlation parameters. This means that to reduce risk it is necessary to invest in low correlated assets.

کلمات کلیدی:

Hedging option, Correlated assets, Locally Risk Minimizing approach, Residual risk

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