

MICHIGAN STATE UNIVERSITY
Department of Statistics and Probability

COLLOQUIUM

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Informed Traders' Hedging with News Arrivals

Tuesday, March 28, 2017
10:20 a.m. - 11:10 am
Refreshments 10:00 am
C405 Wells Hall

Abstract

We study a hedging and pricing problem of a market with jumps, where both the jump size and the timing are affected by exclusive information available only to informed traders. The exclusive information process is a continuous time stochastic process, but affects the price process only at discrete times. This model is an extension of Lee and Song (2007), where the exclusive information affects only the jump timing, and Kang and Lee (2014), where the exclusive information affects only the jump size. We find the local risk minimization hedging strategy of informed traders.

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