



SCUOLA
NORMALE
SUPERIORE

NO FREE LUNCH SEMINAR
Seminari di Finanza Quantitativa

martedì 5 aprile 2011
ore 13.00

Scuola Normale Superiore
Pisa
(Aula Bianchi)

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Terrà un seminario dal titolo:

“On portfolio optimization in markets with frictions”

Abstract

The classic portfolio optimization problem was solved by Robert Merton in 1969 in his paper "Lifetime portfolio selection under uncertainty: the continuous time case". In an economy formed by two assets, a risk-free bond and a stock, which has standard Black-Scholes dynamics, he finds explicitly the optimal trading strategy for an agent with constant relative risk aversion. The mainstream literature assumes a frictionless market, but ignoring transaction costs and liquidity may seriously affect the reliability of a financial model. The objective of the talk is to give a review on the effects of introducing proportional transaction costs. Indeed, the results by Merton are no longer valid in this framework. We also want to approach the issue of liquidity, which has been studied just marginally in the literature, and then compare the impact that both kind of frictions have.

Tutti gli interessati sono invitati a partecipare.

Classe di Scienze