PANTHÉON-ASSAS UNIVERSITÉ PARIS

PANTHÉON-ASSAS UNIVERSITÉ PARIS | LEMMA Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

MARKET FRICTIONS AND PROFITABLE ARBITRAGE

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Lemma - Salle Maurice Desplas (4 rue Blaise Desgoffe, 75006 Paris)

Séminaire du LEMMA

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Abstract:

We develop an asset pricing model by absence of arbitrage. We generalize the classic model by taking into account the existence of frictions. In particular, we relax the monotonicity assumption which is justified both theoretically and empirically. Thus, we obtain two classes of pricing rules. Under Put-Call Parity, we get a Choquet pricing rule with a non-monotonic set function. Under subadditivity, we get a Multiple Priors pricing rule which takes the form of the maximum of signed probability measures. Finally, we offer a parametrical class of Choquet pricing rules which are tractable.

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