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Community College

Math Society at LaGuardia
Community College invites
you for the following talk:

Tuesday, April 21st 3:45 - 4:45pm, E216

From linear equations to risk-neutral measure -
an introduction to financial derivative pricing

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Professor of Columbia University

ABSTRACT

In this talk, we will introduce some simple financial contracts that are written on a stock or an index. We will explain the function of these contracts in reducing risks or locking in target prices in financial market. Using a binomial tree model, we discuss the fair evaluation of these contracts.

We show that there is a unambiguous price for each of these contacts and this price can be determined by solving a 2-by-2 linear equation system. Finally, we give an interpretation of the price using the concept of expectation in probability.