

The Department of Statistics and Applied Probability and
The Center for Research in Financial Mathematics and Statistics (CRFMS)

Present

Dr. Bruno Dupire, Regents' Lecturer

Bloomberg New York and NYU

April 26, 2007 – 4 PM – Corwin Pavilion
Reception at 5 PM

An Idiot's Guide to Option Pricing

A unique opportunity to learn about options from one of the most influential practitioners in the financial market



Abstract: Option pricing puzzles the intuition; for instance the fair price of an option that pays when the market goes up does not depend on the probability the market goes up! We present and illustrate the main principles of option pricing, such as uncertainty modeling, arbitrage, completeness, risk neutrality, hedging, dominance, forward quantities, numerical methods,... We make liberal use of toy examples to illustrate main concepts and paradoxes.

Biography:

Dr. Bruno Dupire is best known for his work on volatility modeling. He pioneered the "local volatility" models (1993) and subsequently the "stochastic volatility" models widely used to fit option prices. His recent work includes pricing and hedging of volatility derivatives and optimal delta hedging strategies.

Dr. Dupire has headed the Derivatives Research teams at Société Générale, Paribas Capital Market and Nikko Financial Products. He joined the Quantitative Research group at Bloomberg in New York in January 2004 to develop arbitrage strategies, derivatives models, and numerical methods. He is a Fellow and Adjunct Professor at NYU.

Dr. Dupire was inducted in the Risk Magazine "Hall of Fame" (2002) as one of the 50 most influential people in Derivatives. He is the most contributing practitioner over the last 5 years in the industry survey of ICBI Global Derivatives, and he is the 2006 winner of the Wilmott Award for Contribution to Quantitative Finance (Cutting Edge Research).

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