Universität Wien WS 2014/15
Fakultät für Mathematik
Mathias Beiglböck
Christa Cuchiero

Mathematical Finance 1
Exercise sheet 11

Please prepare the exercises of Sheet 10 which have not been treated in the exercise class last time.

1. In the setup of the Cox-Ross-Rubinstein model with T time periods consider

$$\tau(\omega) := T \wedge \inf\{t : S_t(\omega) \le c\},$$

where $c > 0$ is a constant. Prove that τ is a stopping time.