

Assignment 20, due March 9

1. Please read §14.4 till the end of proof for Lemma 14.3 on page 284. An intuitive explanation for this can be constructed using risk-neutral valuation. Please read §14.4.4 on page 288.
2. Show that CBAL, for any choice of $\mathbf{b} = (1 - b, b)$ is not money-making for a general (n, ϕ) -adversary. Can you derive a lower bound on the length of the sequence, n , in terms of b and ϕ ?
3. Any one of the following:
 - (a) Complete the proof on the lower bound for MM (Lemma 14.2 on page 279) by showing how to substitute the value of b into (14.10), and then using induction to show (14.9).
 - (b) Exercise 14.14 on page 280.