

Assignment 25, due March 28

1. Next, we'll look at modeling stock prices. Please read Chapter 11 "Model of the Behavior of Stock Prices" in the book by Hull.
2. Exercise 14.15 (page 285) or Exercise 14.16 (page 286) from Borodin and El-Yaniv.
3. Develop an algorithm for two-way trading for input sequences of length n that satisfy the following constraint: each relative price value is α with probability c and $1/\alpha$ with probability $1 - c$, independent of other relative price values, for some c , such that $0 < c < 1$. Your algorithm should maximize the expected return. Compare the performance of your algorithm with the performance of FMM on such a sequence (the FMM is the one designed for the (α, n, cn) -adversary). Your comparison may be informal.