Discretization Of Processes Stochastic Modelling And Applied Probability

This monograph develops the basic theory of fractional calculus and anomalous diffusion, from the point of view of probability. The reader will see how fractional calculus and anomalous diffusion can be understood at a deep and intuitive level, using ideas from probability. The book covers basic limit theorems for random variables and random vectors with heavy tails. Heavy tails are applied in finance, insurance, physics, geophysics, cell biology, ecology, medicine, and computer engineering.

The aim of this Special Issue of Mathematics is to commemorate the outstanding Russian mathematician Vladimir Zolotarev, whose 90th birthday will be celebrated on February 27th, 2021. The present Special Issue contains a collection of new papers by participants in sessions of the International Seminar on Stability Problems for Stochastic Models founded by Zolotarev. Along with research in probability distributions theory, limit theorems of probability theory, stochastic processes, mathematical statistics, and queuing theory, this collection contains papers dealing with applications of stochastic models in modeling of pension schemes, modeling of extreme precipitation, construction of statistical indicators of scientific publication importance, and other fields.

Bayesian analysis of complex models based on stochastic processes has in recent years become a growing area. This book provides a unified treatment of Bayesian analysis of models based on stochastic processes, covering the main classes of stochastic processing including modeling, computational, inference, forecasting, decision making and important applied models. Key features: Explores Bayesian analysis of models based on stochastic processes, providing a unified treatment. Provides a thorough introduction for research students. Computational tools to deal with complex problems are illustrated along with real life case studies Looks at inference, prediction and decision making. Researchers, graduate and advanced undergraduate students interested in stochastic processes in fields such as statistics, operations research (OR), engineering, finance, economics, computer science and Bayesian analysis will benefit from reading this book. With numerous applications included, practitioners of OR, stochastic modelling and applied statistics will also find this book useful.

In various scientific and industrial fields, stochastic simulations are taking on a new importance. This is due to the increasing power of computers and practitioners' aim to simulate more and more complex systems, and thus use random parameters as well as random noises to model the parametric uncertainties and the lack of knowledge on the physics of these systems. The error analysis of these computations is a highly complex mathematical undertaking. Approaching these issues, the authors present stochastic numerical methods and prove accurate convergence rate estimates in terms of their numerical parameters (number of simulations, time discretization steps). As a result, the book is a self-contained and rigorous study of the numerical methods within a theoretical framework. After briefly reviewing the basics, the authors first introduce fundamental notions in stochastic calculus and continuous-time martingale theory, then develop the analysis of pure-jump Markov processes, Poisson processes, and stochastic differential equations. In particular, they review the essential properties of Itô integrals and prove fundamental results on the probabilistic analysis of parabolic partial differential equations. These results in turn provide the basis for developing stochastic numerical methods, both from an algorithmic and theoretical point of view. The book combines advanced mathematical tools, theoretical analysis of stochastic numerical methods, and practical issues at a high level, so as to provide optimal results on the accuracy of Monte Carlo simulations of stochastic processes. It is intended for master and Ph. D. students in the field of stochastic processes and their numerical applications, as well as for physicists, biologists, economists and other professionals working with stochastic simulations, who will benefit from the ability to reliably estimate and control the accuracy of their simulations.

This book covers the latest approaches and results from reconfigurable computing architectures employed in the finance domain. So-called field-programmable gate arrays (FPGAs) have already shown to outperform standard CPU- and GPU-based computing architectures by far, saving up to 99% of energy depending on the compute tasks. Renowned authors from financial mathematics, computer architecture and finance business introduce the readers into today’s challenges in finance IT, illustrate the most advanced approaches and use cases and present currently known methodologies for integrating FPGAs in finance systems together with latest results. The complete algorithm-to-hardware flow is covered holistically, so this book serves as a hands-on guide for IT managers, researchers and quants/programmers who think about integrating FPGAs into their current IT systems.

While there are several texts on how to solve and analyze stochastic programs, this is the first text to address basic questions about how to model uncertainty, and how to reformulate a deterministic model so that it can be analyzed in a stochastic setting. This text would be suitable as a stand-alone or supplement for a second course in OR/MS or in optimization-oriented engineering disciplines where the instructor wants to explain where models come from and what the fundamental issues are. The book is easy-to-read, highly illustrated with lots of examples and discussions. It will be suitable for graduate students and researchers working in operations research, mathematics, engineering and related departments where there is interest in learning how to model uncertainty. Alan King is a Research Staff Member at IBM's Thomas J. Watson Research Center in New York. Stein W. Wallace is a Professor of Operational Research at Lancaster University Management School in England.

The volume includes lecture notes and research papers by participants of the Seventh Symposium on Probability and Stochastic Processes held in Mexico City. The lecture notes introduce recent advances in stochastic calculus with respect to fractional Brownian motion, principles of large deviations and of minimum entropy concerning equilibrium prices in random economic systems, and give a complete and thorough survey of credit risk theory. The research papers cover areas such as financial markets, Gaussian processes, stochastic differential equations, stochastic integration, quantum dynamical semigroups, self-intersection local times, etc. Readers should have a basic background in probability theory, stochastic integration, and stochastic differential equations. The book is suitable for graduate students and research mathematicians interested in probability, stochastic processes, and risk theory.

Presents new computer methods in approximation, simulation, and visualization for a host of alpha-stable stochastic processes.

Stochastic Models: Estimation and Control: v. 2

Computational finance is an interdisciplinary field which joins financial mathematics, stochastics, numerics and scientific computing. Its task is to estimate as accurately and efficiently as possible the risks that financial instruments generate. This volume consists of a series of cutting-edge surveys of recent developments in the field written by leading international experts. These make the subject accessible to a wide readership in academia and financial businesses.The book consists of 13 chapters divided into 3 parts: foundations, algorithms and applications. Besides surveys of existing results, the book contains many new previously unpublished results.

The field of applied probability has changed profoundly in the past twenty years. The development of computational methods has greatly contributed to a better understanding of the theory. A First Course in Stochastic Models provides a self-contained introduction to the theory and applications of stochastic models. Emphasis is placed on establishing the theoretical foundations of the subject, thereby providing a framework in which the applications can be understood. Without this solid basis in theory no applications can be solved. Provides an introduction to the use of stochastic models through an integrated presentation of theory, algorithms and applications. Incorporates recent developments in computational probability. Includes a wide range of examples that illustrate the models and make the methods of solution clear. Features an abundance of motivating exercises that help the student learn how to apply the theory. Accessible to anyone with a basic knowledge of probability. A First Course in Stochastic Models is suitable for senior undergraduate and graduate students from computer science, engineering, statistics, operations resear ch, and any other discipline where stochastic modelling takes place. It stands out amongst other textbooks on the subject because of its integrated presentation of theory, algorithms and applications.

An important resource that provides an overview of mathematical modelling Mathematical Modelling offers a comprehensive guide to both analytical and computational aspects of mathematical modelling that encompasses a wide range of subjects. The authors provide an overview of the basic concepts of mathematical modelling and review the relevant topics from differential equations and linear algebra. The text explores the various types of mathematical models, and includes a range of examples that help to describe a variety of techniques from dynamical systems theory. The book’s analytical techniques examine compartmental modelling, stability, bifurcation, discretization, and fixed-point analysis. The theoretical analyses involve systems of ordinary differential equations for deterministic models. The text also contains information on concepts of probability and random variables as the requirements of stochastic processes. In addition, the authors describe algorithms for computer simulation of both deterministic and stochastic models, and review a number of well-known models that illustrate their application in different fields of study. This important resource: Includes a broad spectrum of models that fall under deterministic and stochastic classes and discusses them in both continuous and discrete forms Demonstrates the wide spectrum of problems that can be addressed through mathematical modelling based on fundamental tools and techniques in applied mathematics and statistics Contains an appendix that reveals the overall approach that can be taken to solve exercises in different chapters Offers many exercises to help better understand the modelling process Written for graduate students in applied mathematics, instructors, and professionals using mathematical modelling for research and training purposes, Mathematical Modelling: A Graduate Textbook covers a broad range of analytical and computational aspects of mathematical modelling.

This book contains 17 articles on stochastic processes (stochastic calculus and Malliavin calculus, functionals of Brownian motions and Lévy processes, stochastic control and optimization problems, stochastic numerics, and so on) and their applications to problems in mathematical finance. The proceedings have been selected for coverage in: • Index to Scientific & Technical Proceedings® (ISTP® / ISI Proceedings) • Index to Scientific & Technical Proceedings (ISTP CDROM version / ISI Proceedings) • Index to Social Sciences & Humanities Proceedings® (ISSHP® / ISI Proceedings) • Index to Social Sciences & Humanities Proceedings (ISSHP CDROM version / ISI Proceedings) • CC Proceedings — Engineering & Physical Sciences Contents:Enlargement of Filtrations and Models for Insider Trading (A Kohatsu-Higa)Variational Equality and Portfolio Optimization for Price Processes with Jumps (H Kunita)A New Simulation Method of Diffusion Processes Applied to Finance (S Kusuoka & S Ninomiya)Risky Fraction Processes and Problems with Transaction Costs (H Nagai)A Benchmark Framework for Risk Management (E Platen)On Dufresne's Perpetuity, Translated and Reflected (P Salminen & M Yor)Some Problems Related to the Black-Scholes Type Security Markets (J Yong)and other papers Readership: Graduate students and researchers in the fields of stochastic processes and mathematical finance. Keywords:Stochastic Processes;Stochastic Differential Equations;Malliavin Calculus;Stochastic Control and Optimization;Functionals of Brownian Motions and LÃ©vy Processes;Stochastic Models of Financial Market;Derivative Pricing;Hedging Problem

The YUIMA package is the first comprehensive R framework based on S4 classes and methods which allows for the simulation of stochastic differential equations driven by Wiener process, Lévy processes or fractional Brownian motion, as well as CARMA, COGARCH, and Point processes. The package performs various central statistical analyses such as quasi maximum likelihood estimation, adaptive Bayes estimation, structural change point analysis, hypotheses testing, asynchronous covariance estimation, lead-lag estimation, LASSO model selection, and so on. YUIMA also supports stochastic numerical analysis by fast computation of the expected value of functionals of stochastic processes through automatic asymptotic expansion by means of the Malliavin calculus. All models can be multidimensional, multiparametric or non parametric.The book explains briefly the underlying theory for simulation and inference of several classes of stochastic processes and then presents both simulation experiments and applications to real data. Although these processes have been originally proposed in physics and more recently in finance, they are becoming popular also in biology due to the fact the time course experimental data are now available. The YUIMA package, available on CRAN, can be freely downloaded and this companion book will make the user able to start his or her analysis from the first page.

In financial and actuarial modeling and other areas of application, stochastic differential equations with jumps have been employed to describe the dynamics of various state variables. The numerical solution of such equations is more complex than that of those only driven by Wiener processes, described in Kloeden & Platen: Numerical Solution of Stochastic Differential Equations (1992). The present monograph builds on the above-mentioned work and provides an introduction to stochastic differential equations with jumps, in both theory and application, emphasizing the numerical methods needed to solve such equations. It presents many new results on higher-order methods for scenario and Monte Carlo simulation, including implicit, predictor corrector, extrapolation, Markov chain and variance reduction methods, stressing the importance of their numerical stability. Furthermore, it includes chapters on exact simulation, estimation and filtering. Besides serving as a basic text on quantitative methods, it offers ready access to a large number of potential research problems in an area that is widely applicable and rapidly expanding. Finance is chosen as the area of application because much of the recent research on stochastic numerical methods has been driven by challenges in quantitative finance. Moreover, the volume introduces readers to the modern benchmark approach that provides a general framework for modeling in finance and insurance beyond the standard risk-neutral approach. It requires undergraduate background in mathematical or quantitative methods, is accessible to a broad readership, including those who are only seeking numerical recipes, and includes exercises that help the reader develop a deeper understanding of the underlying mathematics.

The numerical analysis of stochastic differential equations (SDEs) differs significantly from that of ordinary differential equations. This book provides an easily accessible introduction to SDEs, their applications and the numerical methods to solve such equations. From the reviews: "The authors draw upon their own research and experiences in obviously many disciplines... considerable time has obviously been spent writing this in the simplest language possible." --ZAMP

In various scientific and industrial fields, stochastic simulations are taking on a new importance. This is due to the increasing power of computers and practitioners' aim to simulate more and more complex systems, and thus use random parameters as well as random noises to model the parametric uncertainties and the lack of knowledge on the physics of these systems. The error analysis of these computations is a highly complex mathematical undertaking. Approaching these issues, the authors present stochastic numerical methods and prove accurate convergence rate estimates in terms of their numerical parameters (number of simulations, time discretization steps). As a result, the book is a self-contained and rigorous study of the numerical methods within a theoretical framework. After briefly reviewing the basics, the authors first introduce fundamental notions in stochastic calculus and continuous-time martingale theory, then develop the analysis of pure-jump Markov processes, Poisson processes, and stochastic differential equations. In particular, they review the essential properties of Itô integrals and prove fundamental results on the probabilistic analysis of parabolic partial differential equations. These results in turn provide the basis for developing stochastic numerical methods, both from an algorithmic and theoretical point of view. The book combines advanced mathematical tools, theoretical analysis of stochastic numerical methods, and practical issues at a high level, so as to provide optimal results on the accuracy of Monte Carlo simulations of stochastic processes. It is intended for master and Ph.D. students in the field of stochastic processes and their numerical applications, as well as for physicists, biologists, economists and other professionals working with stochastic simulations, who will benefit from the ability to reliably estimate and control the accuracy of their simulations.

In applications, and especially in mathematical finance, random time-dependent events are often modeled as stochastic processes. Assumptions are made about the structure of such processes, and serious researchers will want to justify those assumptions through the use of data. As statisticians are wont to say, "In God we trust; all others must bring data." This book establishes the theory of how to go about estimating not just scalar parameters about a proposed model, but also the underlying structure of the model itself. Classic statistical tools are used: the law of large numbers, and the central limit theorem. Researchers have recently developed creative and original methods to use these tools in sophisticated (but highly technical) ways to reveal new details about the underlying structure. For the first time in book form, the authors present these latest techniques, based on research from the last 10 years. They include new findings. This book will be of special interest to researchers, combining the theory of mathematical finance with its investigation using market data, and it will also prove to be useful in a broad range of applications, such as to mathematical biology, chemical engineering, and physics.

Computational finance is an interdisciplinary field which joins financial mathematics, stochastics, numerics and scientific computing. Its task is to estimate as accurately and efficiently as possible the risks that financial instruments generate. This volume consists of a series of cutting-edge surveys of recent developments in the field written by leading international experts. These make the subject accessible to a wide readership in academia and financial businesses. The book consists of 13 chapters divided into 3 parts: foundations, algorithms and applications. Besides surveys of existing results, the book contains many new previously unpublished results.

There is an ever increasing need for modelling complex processes reliably. Computational modelling techniques, such as CFD and MD may be used as tools to study specific systems, but their emergence has not decreased the need for generic, analytical process models. Multiphase and multicomponent systems, and high-intensity processes displaying a highly complex behaviour are becoming omnipresent in the processing industry. This book discusses an elegant, but little-known technique for formulating process models in process technology: stochastic process modelling. The technique is based on computing the probability distribution for a single particle's position in the process vessel, and/or the particle's properties, as a function of time, rather than - as is traditionally done - basing the model on the formulation and solution of differential conservation equations. Using this technique can greatly simplify the formulation of a model, and even make modelling possible for processes so complex that the traditional method is impracticable. Stochastic modelling has sporadically been used in various branches of process technology under various names and guises. This book gives, as the first, an overview of this work, and shows how these techniques are similar in nature, and make use of the same basic mathematical tools and techniques. The book also demonstrates how stochastic modelling may be implemented by describing example cases, and shows how a stochastic model may be formulated for a case, which cannot be described by formulating and solving differential balance equations. Introduction to stochastic process modelling as an alternative modelling technique Shows how stochastic modelling may be succesful where the traditional technique fails Overview of stochastic modelling in process technology in the research literature Illustration of the principle by a wide range of practical examples In-depth and self-contained discussions Points the way to both mathematical and technological research in a new, rewarding field

Stochastic biomathematical models are becoming increasingly important as new light is shed on the role of noise in living systems. In certain biological systems, stochastic effects may even enhance a signal, thus providing a biological motivation for the noise observed in living systems. Recent advances in stochastic analysis and increasing computing power facilitate the analysis of more biophysically realistic models, and this book provides researchers in computational neuroscience and stochastic systems with an overview of recent developments. Key concepts are developed in chapters written by experts in their respective fields. Topics include: one-dimensional homogeneous diffusions and their boundary behavior, large deviation theory and its application in stochastic neurobiological models, a review of mathematical methods for stochastic neuronal integrate-and-fire models, stochastic partial differential equation models in neurobiology, and stochastic modeling of spreading cortical depression.

This volume presents selected and peer-reviewed contributions from the 14th Workshop on Stochastic Models, Statistics and Their Applications, held in Dresden, Germany, on March 6-8, 2019. Addressing the needs of theoretical and applied researchers alike, the contributions provide an overview of the latest advances and trends in the areas of mathematical statistics and applied probability, and their applications to high-dimensional statistics, econometrics and time series analysis, statistics for stochastic processes, statistical machine learning, big data and data science, random matrix theory, quality control, change-point analysis and detection, finance, copulas, survival analysis and reliability, sequential experiments, empirical processes, and microsimulations. As the book demonstrates, stochastic models and related statistical procedures and algorithms are essential to more comprehensively understanding and solving present-day problems arising in e.g. the natural sciences, machine learning, data science, engineering, image analysis, genetics, econometrics and finance.

Focussing on stochastic models for the spread of infectious diseases in a human population, this book is the outcome of a two-week ICPAM/CIMPA school on "Stochastic models of epidemics" which took place in Ziguinchor, Senegal, December 5–16, 2015. The text is divided into four parts, each based on one of the courses given at the school: homogeneous models (Tom Britton and Etienne Pardoux), two-level mixing models (David Sirl and Frank Ball), epidemics on graphs (Viet Chi Tran), and statistics for epidemic models (Catherine Larédo). The CIMPA school was aimed at PhD students and Post Docs in the mathematical sciences. Parts (or all) of this book can be used as the basis for traditional or individual reading courses on the topic. For this reason, examples and exercises (some with solutions) are provided throughout.

The remarkable growth of financial markets over the past decades has been accompanied by an equally remarkable explosion in financial engineering, the interdisciplinary field focusing on applications of mathematical and statistical modeling and computational technology to problems in the financial services industry. The goals of financial engineering research are to develop empirically realistic stochastic models describing dynamics of financial risk variables, such as asset prices, foreign exchange rates, and interest rates, and to develop analytical, computational and statistical methods and tools to implement the models and employ them to design and evaluate financial products and processes to manage risk and to meet financial goals. This handbook describes the latest developments in this rapidly evolving field in the areas of modeling and pricing financial derivatives, building models of interest rates and credit risk, pricing and hedging in incomplete markets, risk management, and portfolio optimization. Leading researchers in each of these areas provide their perspective on the state of the art in terms of analysis, computation, and practical relevance. The authors describe essential results to date, fundamental methods and tools, as well as new views of the existing literature, opportunities, and challenges for future research.

Implementing Models of Financial Derivatives is a comprehensive treatment of advanced implementation techniques in VBA for models of financial derivatives. Aimed at readers who are already familiar with the basics of VBA it emphasizes a fully object oriented approach to valuation applications, chiefly in the context of Monte Carlo simulation but also more broadly for lattice and PDE methods. Its unique approach to valuation, emphasizing effective implementation from both the numerical and the computational perspectives makes it an invaluable resource. The book comes with a library of almost a hundred Excel spreadsheets containing implementations of all the methods and models it investigates, including a large number of useful utility procedures. Exercises structured around four application streams supplement the exposition in each chapter, taking the reader from basic procedural level programming up to high level object oriented implementations. Written in eight parts, parts 1-4 emphasize application design in VBA, focused around the development of a plain Monte Carlo application. Part 5 assesses the performance of VBA for this application, and the final 3 emphasize the implementation of a fast and accurate Monte Carlo method for option valuation. Key topics include: ?Fully polymorphic factories in VBA; ?Polymorphic input and output using the TextStream and FileSystemObject objects; ?Valuing a book of options; ?Detailed assessment of the performance of VBA data structures; ?Theory, implementation, and comparison of the main Monte Carlo variance reduction methods; ?Assessment of discretization methods and their application to option valuation in models like CIR and Heston; ?Fast valuation of Bermudan options by Monte Carlo. Fundamental theory and implementations of lattice and PDE methods are presented in appendices and developed through the book in the exercise streams. Spanning the two worlds of academic theory and industrial practice, this book is not only suitable as a classroom text in VBA, in simulation methods, and as an introduction to object oriented design, it is also a reference for model implementers and quants working alongside derivatives groups. Its implementations are a valuable resource for students, teachers and developers alike. Note: CD-ROM/DVD and other supplementary materials are not included as part of eBook file.

Eugene A. Feinberg Adam Shwartz This volume deals with the theory of Markov Decision Processes (MDPs) and their applications. Each chapter was written by a leading expert in the re spective area. The papers cover major research areas and methodologies, and discuss open questions and future research directions. The papers can be read independently, with the basic notation and concepts ofSection 1.2. Most chap ters should be accessible by graduate or advanced undergraduate students in fields of operations research, electrical engineering, and computer science. 1.1 AN OVERVIEW OF MARKOV DECISION PROCESSES The theory of Markov Decision Processes-also known under several other names including sequential stochastic optimization, discrete-time stochastic control, and stochastic dynamic programming-studiessequential optimization ofdiscrete time stochastic systems. The basic object is a discrete-time stochas tic system whose transition mechanism can be controlled over time. Each control policy defines the stochastic process and values of objective functions associated with this process. The goal is to select a "good" control policy. In real life, decisions that humans and computers make on all levels usually have two types ofimpacts: (i) they cost orsavetime, money, or other resources, or they bring revenues, as well as (ii) they have an impact on the future, by influencing the dynamics. In many situations, decisions with the largest immediate profit may not be good in view offuture events. MDPs model this paradigm and provide results on the structure and existence of good policies and on methods for their calculation.

In Part I, the fundamentals of financial thinking and elementary mathematical methods of finance are presented. The method of presentation is simple enough to bridge the elements of financial arithmetic and complex models of financial math developed in the later parts. It covers characteristics of cash flows, yield curves, and valuation of securities. Part II is devoted to the allocation of funds and risk management:

classics (Markowitz theory of portfolio), capital asset pricing model, arbitrage pricing theory, asset & liability management, value at risk. The method explanation takes into account the computational aspects. Part III explains modeling aspects of multistage stochastic programming on a relatively accessible level. It includes a survey of existing software, links to parametric, multiobjective and dynamic programming, and to probability and statistics. It focuses on scenario-based problems with the problems of scenario generation and output analysis discussed in detail and illustrated within a case study.

This volume presents the most recent applied and methodological issues in stochastic modeling and data analysis. The contributions cover various fields such as stochastic processes and applications, data analysis methods and techniques, Bayesian methods, biostatistics, econometrics, sampling, linear and nonlinear models, networks and queues, survival analysis, and time series. The volume presents new results with potential for solving real-life problems and provides novel methods for solving these problems by analyzing the relevant data. The use of recent advances in different fields are emphasized, especially new optimization and statistical methods, data warehouse, data mining and knowledge systems, neural computing, and bioinformatics.

This book offers a systematic introduction to the optimal stochastic control theory via the dynamic programming principle, which is a powerful tool to analyze control problems. First we consider completely observable control problems with finite horizons. Using a time discretization we construct a nonlinear semigroup related to the dynamic programming principle (DPP), whose generator provides the Hamilton–Jacobi–Bellman (HJB) equation, and we characterize the value function via the nonlinear semigroup, besides the viscosity solution theory. When we control not only the dynamics of a system but also the terminal time of its evolution, control-stopping problems arise. This problem is treated in the same frameworks, via the nonlinear semigroup. Its results are applicable to the American option price problem. Zero-sum two-player time-homogeneous stochastic differential games and viscosity solutions of the Isaacs equations arising from such games are studied via a nonlinear semigroup related to DPP (the min-max principle, to be precise). Using semi-discretization arguments, we construct the nonlinear semigroups whose generators provide lower and upper Isaacs equations. Concerning partially observable control problems, we refer to stochastic parabolic equations driven by colored Wiener noises, in particular, the Zakai equation. The existence and uniqueness of solutions and regularities as well as Itô's formula are stated. A control problem for the Zakai equations has a nonlinear semigroup whose generator provides the HJB equation on a Banach space. The value function turns out to be a unique viscosity solution for the HJB equation under mild conditions. This edition provides a more generalized treatment of the topic than does the earlier book Lectures on Stochastic Control Theory (ISI Lecture Notes 9), where time-homogeneous cases are dealt with. Here, for finite time-horizon control problems, DPP was formulated as a one-parameter nonlinear semigroup, whose generator provides the HJB equation, by using a time-discretization method. The semigroup corresponds to the value function and is characterized as the envelope of Markovian transition semigroups of responses for constant control processes. Besides finite time-horizon controls, the book discusses control-stopping problems in the same frameworks.

World leading experts give their accounts of the modern mathematical models in the field: Markov Decision Processes, controlled diffusions, piece-wise deterministic processes etc, with a wide range of performance functionals. One of the aims is to give a general view on the state-of-the-art. The authors use Dynamic Programming, Convex Analytic Approach, several numerical methods, index-based approach and so on. Most chapters either contain well developed examples, or are entirely devoted to the application of the mathematical control theory to real life problems from such fields as Insurance, Portfolio Optimization and Information Transmission. The book will enable researchers, academics and research students to get a sense of novel results, concepts, models, methods, and applications of controlled stochastic processes.

Selected papers submitted by participants of the international Conference “Stochastic Analysis and Applied Probability 2010” (www.saap2010.org) make up the basis of this volume. The SAAP 2010 was held in Tunisia, from 7-9 October, 2010, and was organized by the “Applied Mathematics & Mathematical Physics” research unit of the preparatory institute to the military academies of Sousse (Tunisia), chaired by Mounir Zili. The papers cover theoretical, numerical and applied aspects of stochastic processes and stochastic differential equations. The study of such topic is motivated in part by the need to model, understand, forecast and control the behavior of many natural phenomena that evolve in time in a random way. Such phenomena appear in the fields of finance, telecommunications, economics, biology, geology, demography, physics, chemistry, signal processing and modern control theory, to mention just a few. As this book emphasizes the importance of numerical and theoretical studies of the stochastic differential equations and stochastic processes, it will be useful for a wide spectrum of researchers in applied probability, stochastic numerical and theoretical analysis and statistics, as well as for graduate students. To make it more complete and accessible for graduate students, practitioners and researchers, the editors Mounir Zili and Daria Filatova have included a survey dedicated to the basic concepts of numerical analysis of the stochastic differential equations, written by Henri Schurz.

Modeling the Term Structure of Interest Rates provides a comprehensive review of the continuous-time modeling techniques of the term structure applicable to value and hedge default-free bonds and other interest rate derivatives.

When scientists analyze datasets in a search for underlying phenomena, patterns or causal factors, their first step is often an automatic or semi-automatic search for structures in the data. Of these feature-extraction methods, topological ones stand out due to their solid mathematical foundation. Topologically defined structures—as found in scalar, vector and tensor fields—have proven their merit in a wide range of scientific domains, and scientists have found them to be revealing in subjects such as physics, engineering, and medicine. Full of state-of-the-art research and contemporary hot topics in the subject, this volume is a selection of peer-reviewed papers originally presented at the fourth Workshop on Topology-Based Methods in Data Analysis and Visualization, TopoInVis 2011, held in Zurich, Switzerland. The workshop brought together many of the leading lights in the field for a mixture of formal presentations and discussion. One topic currently generating a great deal of interest, and explored in several chapters here, is the search for topological structures in time-dependent flows, and their relationship with Lagrangian coherent structures. Contributors also focus on discrete topologies of scalar and vector fields, and on persistence-based simplification, among other issues of note. The new research results included in this volume relate to all three key areas in data analysis—theory, algorithms and applications.

This proceedings book discusses state-of-the-art research on uncertainty quantification in mechanical engineering, including statistical data concerning the entries and parameters of a system to produce statistical data on the outputs of the system. It is based on papers presented at Uncertainties 2020, a workshop organized on behalf of the Scientific Committee on Uncertainty in Mechanics (Mécanique et Incertain) of the AFM (French Society of Mechanical Sciences), the Scientific Committee on Stochastic Modeling and Uncertainty Quantification of the ABCM (Brazilian Society of Mechanical Sciences) and the SBMAC (Brazilian Society of Applied Mathematics).

This book contains articles on stochastic processes (stochastic calculus and Malliavin calculus, functionals of Brownian motions and Levy processes, stochastic control and optimization problems, stochastic numerics, and so on) and their applications to problems in mathematical finance. Examples of topics are applications of Malliavin calculus and numerical analysis to a new simulation scheme for calculating the price of financial derivatives, applications of the asymptotic expansion method in Malliavin calculus to financial problems, semimartingale decompositions under an enlargement of filtrations in connection with insider problems, and the problem of transaction costs in connection with stochastic control and optimization problems.

Matrix-analytic and related methods have become recognized as an important and fundamental approach for the mathematical analysis of general classes of complex stochastic models. Research in the area of matrix-analytic and related methods seeks to discover underlying probabilistic structures intrinsic in such stochastic models, develop numerical algorithms for computing functionals (e.g., performance measures) of the underlying stochastic processes, and apply these probabilistic structures and/or computational algorithms within a wide variety of fields. This volume presents recent research results on: the theory, algorithms and methodologies concerning matrix-analytic and related methods in stochastic models; and the application of matrix-analytic and related methods in various fields, which includes but is not limited to computer science and engineering, communication networks and telephony, electrical and industrial engineering, operations research, management science, financial and risk analysis, and bio-statistics. These research studies provide deep insights and understanding of the stochastic models of interest from a mathematics and/or applications perspective, as well as identify directions for future research.

This book discusses the interplay of stochastics (applied probability theory) and numerical analysis in the field of quantitative finance. The stochastic models, numerical valuation techniques, computational aspects, financial products, and risk management applications presented will enable readers to progress in the challenging field of computational finance.When the behavior of financial market participants changes, the corresponding stochastic mathematical models describing the prices may also change. Financial regulation may play a role in such changes too. The book thus presents several models for stock prices, interest rates as well as foreign-exchange rates, with increasing complexity across the chapters. As is said in the industry, 'do not fall in love with your favorite model.' The book covers equity models before moving to short-rate and other interest rate models. We cast these models for interest rate into the Heath-Jarrow-Morton framework, show relations between the different models, and explain a few interest rate products and their pricing.The chapters are accompanied by exercises. Students can access solutions to selected exercises, while complete solutions are made available to instructors. The MATLAB and Python computer codes used for most tables and figures in the book are made available for both print and e-book users. This book will be useful for people working in the financial industry, for those aiming to work there one day, and for anyone interested in quantitative finance. The topics that are discussed are relevant for MSc and PhD students, academic researchers, and for quants in the financial industry.

Financial modelling Theory, Implementation and Practice with Matlab Source Jörg Kienitz and Daniel Wetterau Financial Modelling - Theory, Implementation and Practice with MATLAB Source is a unique combination of quantitative techniques, the application to financial problems and programming using Matlab. The book enables the reader to model, design and implement a wide range of financial models for derivatives pricing and asset allocation, providing practitioners with complete financial modelling workflow, from model choice, deriving prices and Greeks using (semi-) analytic and simulation techniques, and calibration even for exotic options. The book is split into three parts. The first part considers financial markets in general and looks at the complex models needed to handle observed structures, reviewing models based on diffusions including stochastic-local volatility models and (pure) jump processes. It shows the possible risk-neutral densities, implied volatility surfaces, option pricing and typical paths for a variety of models including SABR, Heston, Bates, Bates-Hull-White, Displaced-Heston, or stochastic volatility versions of Variance Gamma, respectively Normal Inverse Gaussian models and finally, multi-dimensional models. The stochastic-local-volatility Libor market model with time-dependent parameters is considered and as an application how to price and risk-manage CMS spread products is demonstrated. The second part of the book deals with numerical methods which enables the reader to use the models of the first part for pricing and risk management, covering methods based on direct integration and Fourier transforms, and detailing the implementation of the COS, CONV, Carr-Madan method or Fourier-Space-Time Stepping. This is applied to pricing of European, Bermudan and exotic options as well as the calculation of the Greeks. The Monte Carlo simulation technique is outlined and bridge sampling is discussed in a Gaussian setting and for Lévy processes. Computation of Greeks is covered using likelihood ratio methods and adjoint techniques. A chapter on state-of-the-art optimization algorithms rounds up the toolkit for applying advanced mathematical models to financial problems and the last chapter in this section of the book also serves as an introduction to model risk. The third part is devoted to the usage of Matlab, introducing the software package by describing the basic functions applied for financial engineering. The programming is approached from an object-oriented perspective with examples to propose a framework for calibration, hedging and the adjoint method for calculating Greeks in a Libor market model. Source code used for producing the results and analysing the models is provided on the author's dedicated website, http://www.mathworks.de/matlabcentral/fileexchange/authors/246981.

This edited monograph offers a summary of future mathematical methods supporting the recent energy sector transformation. It collects current contributions on innovative methods and algorithms. Advances in mathematical techniques and scientific computing methods are presented centering around economic aspects, technical realization and large-scale networks. Over twenty authors focus on the mathematical modeling of such future systems with careful analysis of desired properties and arising scales. Numerical investigations include efficient methods for the simulation of possibly large-scale interconnected energy systems and modern techniques for optimization purposes to guarantee stable and reliable future operations. The target audience comprises research scientists, researchers in the R&D field, and practitioners. Since the book highlights possible future research directions, graduate students in the field of mathematical modeling or electrical engineering may also benefit strongly. .

Financial risk management has become a popular practice amongst financial institutions to protect against the adverse effects of uncertainty caused by fluctuations in interest rates, exchange rates, commodity prices, and equity prices. New financial instruments and mathematical techniques are continuously developed and introduced in financial practice. These techniques are being used by an increasing number of firms, traders and financial risk managers across various industries. Risk and Financial Management: Mathematical and Computational Methods confronts the many issues and controversies, and explains the fundamental concepts that underpin financial risk management. Provides a comprehensive introduction to the core topics of risk and financial management. Adopts a pragmatic approach, focused on computational, rather than just theoretical, methods. Bridges the gap between theory and practice in financial risk management Includes coverage of utility theory, probability, options and derivatives, stochastic volatility and value at risk. Suitable for students of risk, mathematical finance, and financial risk management, and finance practitioners. Includes extensive reference lists, applications and suggestions for further reading. Risk and Financial Management: Mathematical and Computational Methods is ideally suited to both students of mathematical finance with little background in economics and finance, and students of financial risk management, as well as finance practitioners requiring a clearer understanding of the mathematical and computational methods they use every day. It combines the required level of rigor, to support the theoretical developments, with a practical flavour through many examples and applications.