

Hedging bounded claims with bounded outcomes

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Received: January 31, 2005

Revised: October 10, 2005

JEL classification: G13, G11, C65

Mathematical Subject Classification (2000): 60G44, 91B16, 91B70

Abstract. We consider a financial market with two or more separate components each driven by a Brownian Motion. We look at the problem to hedge a bounded contingent claim in such a way that all the components remain bounded. The problem can also be rephrased as a problem in risk measures.

Key words: hedging, infimal convolution, coherent utility functions, Fatou property, Brownian motion