

Good deal bounds induced by shortfall risk

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We shall provide in this paper good deal pricing bounds for contingent claims induced by the shortfall risk with some loss function in the framework of the Orlicz space setting. Assumptions we impose on loss functions and contingent claims are very mild. We prove that the upper and lower bounds of good deal pricing bounds are expressed by convex risk measures on Orlicz hearts. In addition, we obtain its representation with the minimal penalty function. Moreover, we give a representation, for two simple cases, of good deal bounds and calculate the optimal strategies when a claim is traded at the upper or lower bounds of its good deal pricing bound.