Chapter Five. Asset price movement

Outline Solutions to odd-numbered exercises from the book: An Introduction to Financial Option Valuation: Mathematics, Stochastics and Computation, by Desmond J. Higham, Cambridge University Press, 2004 ISBN 0521 83884 3 (hardback) ISBN 0521 54757 1 (paperback)

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5.1 Let N denote the number of observations per year. Then we have

 $\frac{\text{Number of extremes}}{\text{Number of observations}} = \frac{1}{7000 \times N} = 5.733 \times 10^{-7},$

which gives $N \approx 249$. Hence, Fama is thinking of one observation per working day.