

Index

- acceptable risk, 63
- ADAM optimizer, 142
- additive process, 102
- α VG process, 49
- alpha generation, 152
- Anderson–Darling weighting, 32
- arbitrage, absence of, 59
- arrival rate function, $k_t(x)$, 5
- asset pricing equations, 157
- asset pricing model, 164

- backward stochastic differential equation, 171, 204
- backward stochastic partial integro-differential equation (BSPIDE), 174, 240
- bandwidth, 238
- bang bang control, 129
- BGSSD model, 112
- BGSSD risk-neutral parameters, 116
- bilateral double gamma (BGG), 11
- bilateral gamma (BG), 10
- book of options, 173
- Brownian motion, 99
 - multidimensional, 49
- Brownian motion, filtration, 99
- bull spread, 136

- certainty equivalents, 100
- CGMY model, 14
- characteristic function, 6
 - Fourier inversion, 30
- Choquet-type integral, 23
- comonotone, 71
- comonotone additive, 71
- comonotone additivity, 203
- compensated jump measure, 174
- compensating measure, 150
- complementary convex distortion, 68
- complete market, 110
- complex exponential variation, 16, 23, 30
 - multivariate, 23
- compound Poisson process, 154

- concave distribution, 67
- conditional distorted expectation, 111
 - conservative, 115
- conditional log likelihood, 237
- conic hedging, 111
- conjugate dual of a distortion, 79
- conservative capital valuation, 196
- conservative conditional distorted expectation, 115
- conservative valuation of assets, 60, 65
- conservative valuation, lower, 151
- continuously compounded return, x_H , 5
- copula, 29, 48
 - Lévy, 48
 - vine, 48
- covariance functional, 102
- cumulated wealth, 194

- data centering, 33
- deep learning functions, 143
- delta hedge, 98
- delta hedging, 90
- delta neutral, 90
- demeaning data, *see* data centering
- depreferencing, 43
- digital moment, 30
- digital moment estimation, 31
- distance measure, 225
- distance quantiles, 192
- distorted expectation, 61, 114
 - conservative conditional, 115
- distorted expectation, upper, 115
- distorted least squares, 113
- distorted least-squares hedging, 136
- distorted valuation optimization, 100
- distortion
 - conjugate dual, 79
 - maxminvar, 71
 - maxvar, 71
 - minmaxvar, 71
 - minmaxvar2, 71
 - minvar, 71

266

Wang, 71
 distortion parameters, 88
 distortion, complementary convex, 68
 distortion, probability of, 67
 distortions, 61
 dollar vega level, 180
 double gamma tilted bilateral double gamma, 43
 double gamma tilted bilateral gamma, 43
 driver function, 174
 dynamic portfolio theory, 184

ε -insensitive optimization, 112
 economic acceptability, 197
 efficient frontier portfolio, 157
 efficient frontiers, 152
 eigen analysis of responses, 35
 empirical cumulative distribution function, 31, 45
 equilibrium return distribution, 256
 equity capital, 196
 expectation operator, dynamically consistent
 translation-invariant nonlinear, 204
 expectations, distorted, 61
 expected shortfall, 209
 expected shortfall, CVAR, 210
 expected utility, 39, 59
 exponential kernel, 102
 exponentially weighted average, 236
 exposure design, 127

feedforward neural network, NNET, 185
 filtered probability space, 173
 finite variation process, 19
 finite variation, process of, 7
 finite-variation jump compensator, 173
 Fourier inversion, 30
 Fourier transform, 30

\mathcal{G} -expectation, 172
 gamma density, 12, 57
 gamma-distributed elliptical radius, 57
 gamma-distributed elliptical radius distribution, 138
 Gauss–Laguerre quadrature approximation, 41
 Gaussian kernel, 238
 Gaussian kernel smoother, 179
 Gaussian process regression (GPR), 44, 102
 generalized hyperbolic, GH, model, 14
 generalized methods of moments, 246

Hellinger distance, 225
 Hellinger-type distance, weighted, 251
 Herfindahl concentration index, 192

implied volatility, 99
 indifference pricing, 100
 infinite variation process, 19
 infinitely divisible, 19
 integer-valued random measure, 173

Index

integral of Choquet type, 23
 iteration, 191

joint distributions, 150
 joint Lévy measure, 144
 joint Markov process, 178
 jump compensator, finite variation, 173
 jump measure, compensated, 174
 jump process, pure, 7

kernel estimator, 237
 kernel interpolator, 148
 Kolmogorov–Smirnov distance, 225
 Kullback–Leibler distance, 225
 kurtosis, 110

law invariance, 203
 least-squares hedge, 110
 leveraged parameter, 221
 Lévy compensator, 150
 Lévy copula, 48
 Lévy measure, 14
 generalized, 14
 joint, 144
 multivariate, 54, 138
 multivariate standard BG, m_{sbg} , 55
 risk-neutral, 88
 Lévy process, 18
 liability management, 135
 life-cycle problem, 236
 limit law, 19, 197
 long-term solution, 185
 lower conservative valuation, 151

machine learning, 236
 marginal utilities of wealth, 184
 market efficiency, 60
 market valuation, nonlinear, 60
 market value maximization, 59
 market, complete, 110
 Markov martingale process, 101
 Markov process, joint, 178
 Markov process, pure jump, 173
 Markovian trading policy, 235
 martingale model, 102
 martingale representation theorem, 99
 maximum entropy principle, 8
 maximum likelihood estimation, 30
 mean absolute deviation, 110, 112
 mean variance, 100
 mean variance hedging, 100
 measure change, 40
 measure-distorted value-maximizing hedging, 136
 measure distortion, 73, 78
 risk charge, 86
 measure-distorted valuation, 61, 127
 dynamic, 224

- measure-distortion calibrations, 90
 Meixner process, 15
 moneyness, 39
 Monte Carlo simulation, 20
 multidimensional Brownian motion, 49
 multidimensional exponential variation, 17
 multidimensional tail probability, 167
 multidimensional variations, 57
 multivariate bilateral gamma, 52
 multivariate complex exponential variation, 23
 multivariate Lévy measure, 138
 multivariate standard BG Lévy measure, $m_{\text{sbg}}(x)$, 55
 multivariate tail arrival function, 23
 multivariate variance gamma component, 138
 multivariate variance gamma, mvg, 49
 myopic problem, 191
 myopic solution, 185
- negative required returns, 158
 nonlinear integro-differential equation, 197
 nonlinear partial integro-differential equation, 206
 normal inverse Gaussian model, NIG, 13
- optimal frontier portfolio, 157
 optimal trading policy, 235
 optimal trading, Markovian, 235
 option pricing, 39
- partial integro-differential equation, 189
 pattern search, 140
 penned forward, 107
 policy function, 191
 positive covariations, 144
 power variation, 27
 preference, 39
 preference parameters, 44
 premium, 85
 probability density, $P_{t,t+H}(x)$, 5
 probability distortions, 67
 probability measures, supporting, 64
 processes of independent increments, 102
 prudential capital valuation, *see* conservative capital valuation
 prudential valuation function, lower, 206
 prudential valuation function, upper, 206
 pure jump Markov process, 173
 pure jump process, 7, 19
- quantization, 140, 190
 quantization algorithm, 35
- random measure
 integer-valued, 173
 rank correlation, 216
 recovery theorem, 40
 regulatory capital requirements, 224
 reinforcement learning, 236
- required regulatory capital, 196
 required returns, 157
 risk acceptability, 63
 risk aversion
 degrees of, 88
 risk charge gradient, 158
 zero, 157
 risk charge, 66, 86
 risk-neutral arrival rate, 133
 risk-neutral distribution, 110
 risk-neutral Lévy measure, 88
 risky streams, valuation of, 59
- Sato process, 112, 137
 self-decomposable, 19
 infinitely divisible, 19
 semi-variance, 110
 semilinear partial integro-differential equation, 174
 short gamma, 90
 simultaneous perturbation, 146
 skewness, 110
 spatially inhomogeneity, 173
 spot slide, 126
 static arbitrage, 101
 stationary policy, 188
 stochastic exponential, 174
 stochastic integral, 99
 stochastic logarithm, 197
 signed, 197
 stochastic portfolio theory, 186
 stochastically domination, second-order, 141
 strangles, delta, 98
 structured products, 98
 support vector machine regression (SVMR), 185
 supporting probability measures, 64
 symmetric variance gamma, svg, 9
- tail measure, 16
 tail probability, 30
 digital moment, 30
 multidimensional, 167
 target exposure function, 116, 136
 target quadratic variations, 144
 term structure, 89
 Tikonov regularization, 118
 time inconsistency, 110
 time reversal, 242
 trading policy, optimal, 235
 two-dimensional manifold, 256
 two-price economy, 60
- unleveraged parameter, 221
 upper distorted expectation, 115
 utility
 expected, 39, 59
 function, 39

268

valuation of assets, conservative, 60, 65
valuation operators, upper and lower, 65
valuation
 linearity of, 59
 lower, 65
 lower conservative, 151
 measure-distorted, 61
variance gamma
 multivariate, mvg, 49
 symmetric, 9
 vg, 10

Index

variation measure, 25
 conditional, 25
variation outcome, 22
variation space, 22
vine copula, 48
viscosity solution, 172

Wasserstein distance, 225

zero risk charge gradient, 157
zero-theta exposures, 128