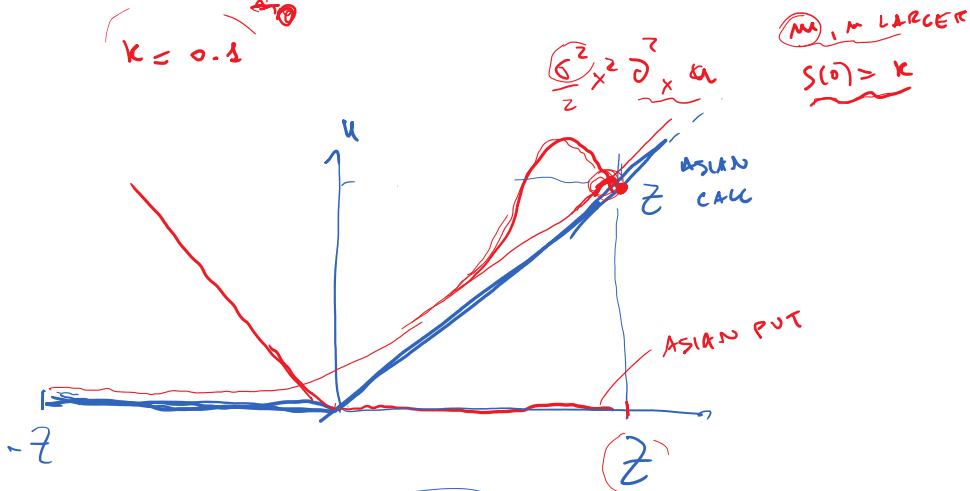
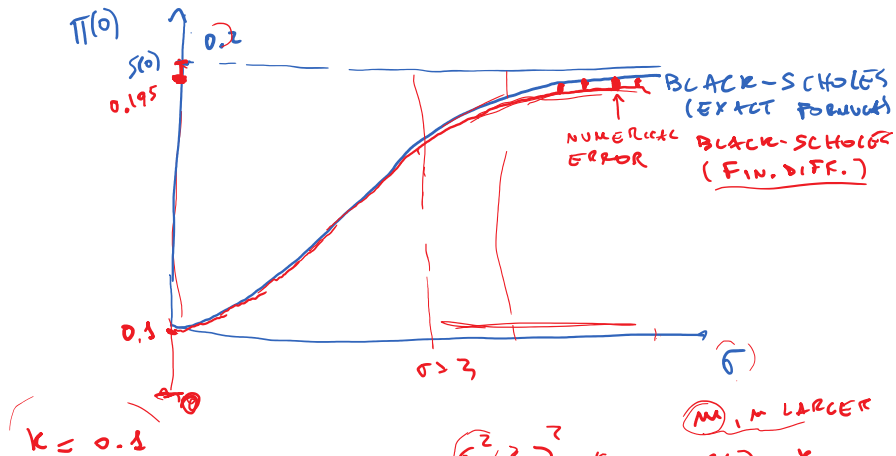


CALL
OPTION



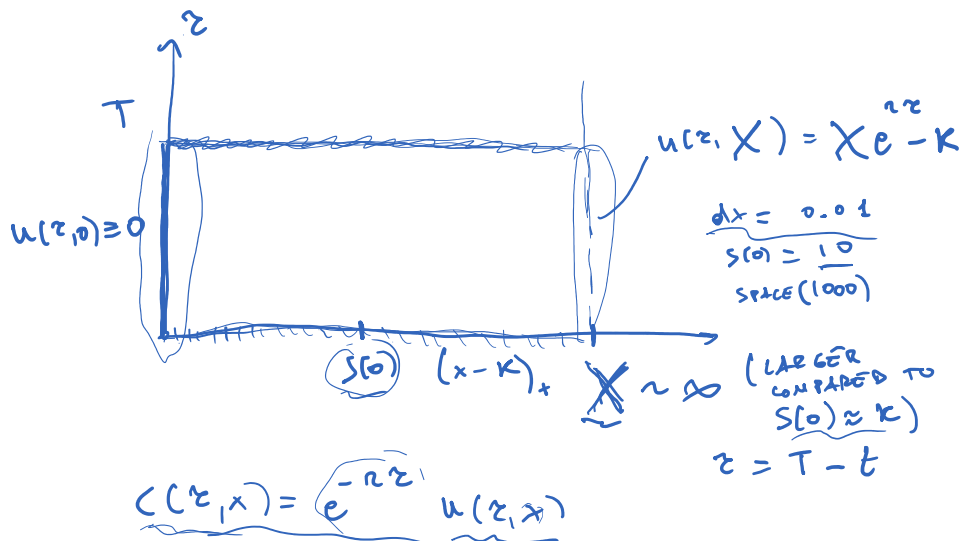
$$A = B$$

$$\overset{0.007}{A} = \overset{0.009}{B} + \underline{\underline{0.001}}$$

$$\left(\frac{A}{B}\right) = 1$$

$$1 - \frac{A}{B}$$

HAS to BE
SMALL



PRICE OF THE CALL AT $t=0 = C(T, S^{(0)}) = e^{-rT} u(T, S^{(0)})$
IF THE INITIAL PRICE OF THE

Stock is $S(t)$

BY THE PUT CALL PARITY

$$C(t, x) - P(t, x) = x - Ke^{-rt}$$
$$C(t, x) = \underbrace{P(t, x)} + \underbrace{x - Ke^{-rt}}_{\sim x - Ke^{-rt} \text{ as } x \rightarrow \infty}$$

$$u(t, x) = e^{rx} C(t, x) \sim xe^{rx} - K \text{ as } x \rightarrow \infty$$

$$dS(t) = rS(t)dt + \sigma|S(t)|^{\delta} d\tilde{W}(t)$$

