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PORTFOLIO DIVERSIFICATION WITH MARKOVIAN PRICES

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Abstract: The problem of constructing impulsive rebalancing of portfolios, introduced by Pliska and Suzuki, is solved for models with general Markovian prices. Existence of the optimal strategy is established and its structure described. Quasi-variational inequalities determining the value function are deduced for multiplicative prices with general Lévy noise and the case of Poissonian noise is considered in some detail.

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