

ON MARTINGALE MEASURES FOR STOCHASTIC PROCESSES WITH
DISCRETE TIME

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Abstract: Let $(X(t); t \in N^+)$ be a random sequence adapted to a filtration (\mathcal{F}_t) in (Ω, \mathcal{F}, P) satisfying some natural assumption. If none of the events $(X(t+1) > X(t))$, $(X(t+1) < X(t))$ can be predicted, i.e. none contains some $A \in \mathcal{F}_t, P(A) > 0$, then $(X(t), \mathcal{F}_t)$ is a martingale for some probability P^* on \mathcal{F} . It is a version of the “fundamental theorem of option pricing”.

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