

Markov Decision Processes With Applications To Finance Universitext

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Simulation-based Algorithms for Markov Decision Processes Hyeong Soo

Chang 2010-10-19 Markov decision process (MDP) models are widely used for modeling sequential decision-making problems that arise in engineering, economics, computer science, and the social sciences. This book brings the state-of-the-art research together for the first time. It provides practical modeling methods for many real-world problems with high dimensionality or complexity which have not hitherto been treatable with Markov decision processes.

Financial Derivatives in Theory and Practice Philip Hunt 2004-11-19 The term Financial Derivative is a very broad term which has come to mean any financial transaction whose value depends on the underlying value of the asset concerned. Sophisticated statistical modelling of derivatives enables practitioners in the banking industry to reduce financial risk and ultimately increase profits made from these transactions. The book originally published in March 2000 to widespread acclaim. This revised edition has been updated with minor corrections and new references, and now includes a chapter of exercises and solutions, enabling use as a course text. Comprehensive introduction to the theory and practice of financial derivatives. Discusses and elaborates on the theory of interest rate derivatives, an area of increasing interest. Divided into two self-contained parts ? the first concentrating on the theory of stochastic calculus, and the second describes in detail the pricing of a number of different derivatives in practice. Written by well respected academics with experience in the banking industry. A valuable text for practitioners in research departments of all banking and finance sectors. Academic researchers and graduate students working in mathematical finance.

Mathematical Modeling of Random and Deterministic Phenomena Solym

Mawaki Manou-Abi 2020-02-19 This book highlights mathematical research interests that appear in real life, such as the study and modeling of random and deterministic phenomena. As such, it provides current research in mathematics, with applications in biological and environmental sciences, ecology, epidemiology and social perspectives. The chapters can be read independently of each other, with dedicated references specific to each chapter. The book is organized in two main parts. The first is devoted to some advanced mathematical problems regarding epidemic models; predictions of biomass; space-time modeling of extreme rainfall; modeling with the piecewise deterministic Markov process; optimal control problems; evolution equations in a periodic environment; and the analysis of the heat equation. The second is devoted to a modelization with interdisciplinarity in ecological, socio-economic, epistemological, demographic and social problems. **Mathematical Modeling of Random and Deterministic Phenomena** is aimed at expert readers, young researchers, plus graduate and advanced undergraduate students who are interested in probability, statistics, modeling and mathematical analysis.

Markov Chains and Decision Processes for Engineers and Managers Theodore J Sheskin 2019-08-30 Recognized as a powerful tool for dealing with uncertainty, Markov modeling can enhance your ability to analyze complex

production and service systems. However, most books on Markov chains or decision processes are often either highly theoretical, with few examples, or highly prescriptive, with little justification for the steps of the algorithms used to solve Markov models. Providing a unified treatment of Markov chains and Markov decision processes in a single volume, **Markov Chains and Decision Processes for Engineers and Managers** supplies a highly detailed description of the construction and solution of Markov models that facilitates their application to diverse processes. Organized around Markov chain structure, the book begins with descriptions of Markov chain states, transitions, structure, and models, and then discusses steady state distributions and passage to a target state in a regular Markov chain. The author treats canonical forms and passage to target states or to classes of target states for reducible Markov chains. He adds an economic dimension by associating rewards with states, thereby linking a Markov chain to a Markov decision process, and then adds decisions to create a Markov decision process, enabling an analyst to choose among alternative Markov chains with rewards so as to maximize expected rewards. An introduction to state reduction and hidden Markov chains rounds out the coverage. In a presentation that balances algorithms and applications, the author provides explanations of the logical relationships that underpin the formulas or algorithms through informal derivations, and devotes considerable attention to the construction of Markov models. He constructs simplified Markov models for a wide assortment of processes such as the weather, gambling, diffusion of gases, a waiting line, inventory, component replacement, machine maintenance, selling a stock, a charge account, a career path, patient flow

The Enchanted April (1922) Elizabeth Von Arnim 2006-03 It began in a woman's club in London on a February afternoon-an uncomfortable club, and a miserable afternoon-when Mrs. Wilkins, who had come down from Hampstead to shop and had lunched at her club, took up *The Times* from the table in the smoking-room, and running her Ustless eye down the Agony Column saw this:

Distributed Sensing and Intelligent Systems Mohamed Elhoseny

Decision Theory Models for Applications in Artificial Intelligence: Concepts and Solutions Sucar, L. Enrique 2011-10-31 One of the goals of artificial intelligence (AI) is creating autonomous agents that must make decisions based on uncertain and incomplete information. The goal is to design rational agents that must take the best action given the information available and their goals. **Decision Theory Models for Applications in Artificial Intelligence: Concepts and Solutions** provides an introduction to different types of decision theory techniques, including MDPs, POMDPs, Influence Diagrams, and Reinforcement Learning, and illustrates their application in artificial intelligence. This book provides insights into the advantages and challenges of using decision theory models for developing intelligent systems.

Modern Trends in Controlled Stochastic Processes: Alexey Piunovskiy

2021-06-04 This book presents state-of-the-art solution methods and applications of stochastic optimal control. It is a collection of extended papers discussed at the traditional Liverpool workshop on controlled stochastic processes with participants from both the east and the west. New problems

are formulated, and progresses of ongoing research are reported. Topics covered in this book include theoretical results and numerical methods for Markov and semi-Markov decision processes, optimal stopping of Markov processes, stochastic games, problems with partial information, optimal filtering, robust control, Q-learning, and self-organizing algorithms. Real-life case studies and applications, e.g., queueing systems, forest management, control of water resources, marketing science, and healthcare, are presented. Scientific researchers and postgraduate students interested in stochastic optimal control,- as well as practitioners will find this book appealing and a valuable reference.

Stochastic Modeling and Optimization David D. Yao 2012-12-06 This book covers the broad range of research in stochastic models and optimization.

Applications presented include networks, financial engineering, production planning, and supply chain management. Each contribution is aimed at graduate students working in operations research, probability, and statistics.

Markov Chains Wai-Ki Ching 2015-04-05 This new edition of Markov Chains: Models, Algorithms and Applications has been completely reformatted as a text, complete with end-of-chapter exercises, a new focus on management science, new applications of the models, and new examples with applications in financial risk management and modeling of financial data. This book consists of eight chapters. Chapter 1 gives a brief introduction to the classical theory on both discrete and continuous time Markov chains. The relationship between Markov chains of finite states and matrix theory will also be highlighted.

Some classical iterative methods for solving linear systems will be introduced for finding the stationary distribution of a Markov chain. The chapter then covers the basic theories and algorithms for hidden Markov models (HMMs) and Markov decision processes (MDPs). Chapter 2 discusses the applications of continuous time Markov chains to model queueing systems and discrete time Markov chain for computing the PageRank, the ranking of websites on the Internet. Chapter 3 studies Markovian models for manufacturing and re-manufacturing systems and presents closed form solutions and fast numerical algorithms for solving the captured systems. In Chapter 4, the authors present a simple hidden Markov model (HMM) with fast numerical algorithms for estimating the model parameters. An application of the HMM for customer classification is also presented. Chapter 5 discusses Markov decision processes for customer lifetime values. Customer Lifetime Values (CLV) is an important concept and quantity in marketing management. The authors present an approach based on Markov decision processes for the calculation of CLV using real data. Chapter 6 considers higher-order Markov chain models, particularly a class of parsimonious higher-order Markov chain models. Efficient estimation methods for model parameters based on linear programming are presented.

Contemporary research results on applications to demand predictions, inventory control and financial risk measurement are also presented. In Chapter 7, a class of parsimonious multivariate Markov models is introduced. Again, efficient estimation methods based on linear programming are presented. Applications to demand predictions, inventory control policy and modeling credit ratings data are discussed. Finally, Chapter 8 re-visits hidden Markov models, and the authors present a new class of hidden Markov models with efficient algorithms for estimating the model parameters. Applications to modeling interest rates, credit ratings and default data are discussed. This book is aimed at senior undergraduate students, postgraduate students, professionals, practitioners, and researchers in applied mathematics, computational science, operational research, management science and finance, who are interested in the formulation and computation of queueing networks, Markov chain models and related topics. Readers are expected to have some basic knowledge of probability theory, Markov processes and matrix theory.

Examples in Markov Decision Processes A. B. Piunovskiy 2013 This invaluable book provides approximately eighty examples illustrating the theory of controlled discrete-time Markov processes. Except for applications of the theory to real-life problems like stock exchange, queues, gambling, optimal search etc, the main attention is paid to counter-intuitive, unexpected properties of optimization problems. Such examples illustrate the importance of conditions imposed in the theorems on Markov Decision Processes. Many of the examples are based upon examples published earlier in journal articles or

textbooks while several other examples are new. The aim was to collect them together in one reference book which should be considered as a complement to existing monographs on Markov decision processes. The book is self-contained and unified in presentation. The main theoretical statements and constructions are provided, and particular examples can be read independently of others. Examples in Markov Decision Processes is an essential source of reference for mathematicians and all those who apply the optimal control theory to practical purposes. When studying or using mathematical methods, the researcher must understand what can happen if some of the conditions imposed in rigorous theorems are not satisfied. Many examples confirming the importance of such conditions were published in different journal articles which are often difficult to find. This book brings together examples based upon such sources, along with several new ones. In addition, it indicates the areas where Markov decision processes can be used. Active researchers can refer to this book on applicability of mathematical methods and theorems. It is also suitable reading for graduate and research students where they will better understand the theory.

A Primer on Experiments with Mixtures John A. Cornell 2011-09-26 The concise yet authoritative presentation of key techniques for basic mixture experiments Inspired by the author's bestselling advanced book on the topic, A Primer on Experiments with Mixtures provides an introductory presentation of the key principles behind experimenting with mixtures. Outlining useful techniques through an applied approach with examples from real research situations, the book supplies a comprehensive discussion of how to design and set up basic mixture experiments, then analyze the data and draw inferences from results. Drawing from his extensive experience teaching the topic at various levels, the author presents the mixture experiments in an easy-to-follow manner that is void of unnecessary formulas and theory. Succinct presentations explore key methods and techniques for carrying out basic mixture experiments, including: Designs and models for exploring the entire simplex factor space, with coverage of simplex-lattice and simplex-centroid designs, canonical polynomials, the plotting of individual residuals, and axial designs Multiple constraints on the component proportions in the form of lower and/or upper bounds, introducing L-Pseudocomponents, multicomponent constraints, and multiple lattice designs for major and minor component classifications Techniques for analyzing mixture data such as model reduction and screening components, as well as additional topics such as measuring the leverage of certain design points Models containing ratios of the components, Cox's mixture polynomials, and the fitting of a slack variable model A review of least squares and the analysis of variance for fitting data Each chapter concludes with a summary and appendices with details on the technical aspects of the material. Throughout the book, exercise sets with selected answers allow readers to test their comprehension of the material, and References and Recommended Reading sections outline further resources for study of the presented topics. A Primer on Experiments with Mixtures is an excellent book for one-semester courses on mixture designs and can also serve as a supplement for design of experiments courses at the upper-undergraduate and graduate levels. It is also a suitable reference for practitioners and researchers who have an interest in experiments with mixtures and would like to learn more about the related mixture designs and models.

Decision Processes in Dynamic Probabilistic Systems Adrian Gheorghe 1990-07-31 'Et moi •...• si j'avait su comment en revenir. One service mathematics has rendered the je n'y serais point aile: human race. It has put common sense back where it belongs. on the topmost shelf next Jules Verne (0 the dusty canister labelled 'discarded non sense'. The series is divergent; therefore we may be able to do something with it. Eric T. Bell O. Heaviside Mathematics is a tool for thought. A highly necessary tool in a world where both feedback and non linearities abound. Similarly, all kinds of parts of mathematics serve as tools for other parts and for other sciences. Applying a simple rewriting rule to the quote on the right above one finds such statements as: 'One service topology has rendered mathematical physics .. .'; 'One service logic has rendered computer science .. .'; 'One service category theory has rendered mathematics .. .'. All arguably true. And all statements

obtainable this way form part of the *raison d'être* of this series.

Applied Stochastic Models and Control for Finance and Insurance Charles S. Tapiero 2012-12-06 Applied Stochastic Models and Control for Finance and Insurance presents at an introductory level some essential stochastic models applied in economics, finance and insurance. Markov chains, random walks, stochastic differential equations and other stochastic processes are used throughout the book and systematically applied to economic and financial applications. In addition, a dynamic programming framework is used to deal with some basic optimization problems. The book begins by introducing problems of economics, finance and insurance which involve time, uncertainty and risk. A number of cases are treated in detail, spanning risk management, volatility, memory, the time structure of preferences, interest rates and yields, etc. The second and third chapters provide an introduction to stochastic models and their application. Stochastic differential equations and stochastic calculus are presented in an intuitive manner, and numerous applications and exercises are used to facilitate their understanding and their use in Chapter 3. A number of other processes which are increasingly used in finance and insurance are introduced in Chapter 4. In the fifth chapter, ARCH and GARCH models are presented and their application to modeling volatility is emphasized. An outline of decision-making procedures is presented in Chapter 6. Furthermore, we also introduce the essentials of stochastic dynamic programming and control, and provide first steps for the student who seeks to apply these techniques. Finally, in Chapter 7, numerical techniques and approximations to stochastic processes are examined. This book can be used in business, economics, financial engineering and decision sciences schools for second year Master's students, as well as in a number of courses widely given in departments of statistics, systems and decision sciences.

Hidden Markov Models in Finance Rogemar S. Mamon 2014-05-14 Since the groundbreaking research of Harry Markowitz into the application of operations research to the optimization of investment portfolios, finance has been one of the most important areas of application of operations research. The use of hidden Markov models (HMMs) has become one of the hottest areas of research for such applications to finance. This handbook offers systemic applications of different methodologies that have been used for decision making solutions to the financial problems of global markets. As the follow-up to the authors' Hidden Markov Models in Finance (2007), this offers the latest research developments and applications of HMMs to finance and other related fields. Amongst the fields of quantitative finance and actuarial science that will be covered are: interest rate theory, fixed-income instruments, currency market, annuity and insurance policies with option-embedded features, investment strategies, commodity markets, energy, high-frequency trading, credit risk, numerical algorithms, financial econometrics and operational risk. Hidden Markov Models in Finance: Further Developments and Applications, Volume II presents recent applications and case studies in finance and showcases the formulation of emerging potential applications of new research over the book's 11 chapters. This will benefit not only researchers in financial modeling, but also others in fields such as engineering, the physical sciences and social sciences. Ultimately the handbook should prove to be a valuable resource to dynamic researchers interested in taking full advantage of the power and versatility of HMMs in accurately and efficiently capturing many of the processes in the financial market.

OPTIMIZATION AND OPERATIONS RESEARCH – Volume IV Ulrich Derigs 2009-04-15 Optimization and Operations Research is a component of Encyclopedia of Mathematical Sciences in the global Encyclopedia of Life Support Systems (EOLSS), which is an integrated compendium of twenty one Encyclopedias. The Theme on Optimization and Operations Research is organized into six different topics which represent the main scientific areas of the theme: 1. Fundamentals of Operations Research; 2. Advanced Deterministic Operations Research; 3. Optimization in Infinite Dimensions; 4. Game Theory; 5. Stochastic Operations Research; 6. Decision Analysis, which are then expanded into multiple subtopics, each as a chapter. These four volumes are aimed at the following five major target audiences: University and College students Educators, Professional Practitioners, Research Personnel and Policy Analysts, Managers, and Decision Makers and NGOs.

Continuous-Time Markov Chains and Applications G. George Yin 2012-11-14

This book gives a systematic treatment of singularly perturbed systems that naturally arise in control and optimization, queueing networks, manufacturing systems, and financial engineering. It presents results on asymptotic expansions of solutions of Komogorov forward and backward equations, properties of functional occupation measures, exponential upper bounds, and functional limit results for Markov chains with weak and strong interactions. To bridge the gap between theory and applications, a large portion of the book is devoted to applications in controlled dynamic systems, production planning, and numerical methods for controlled Markovian systems with large-scale and complex structures in the real-world problems. This second edition has been updated throughout and includes two new chapters on asymptotic expansions of solutions for backward equations and hybrid LQG problems. The chapters on analytic and probabilistic properties of two-time-scale Markov chains have been almost completely rewritten and the notation has been streamlined and simplified. This book is written for applied mathematicians, engineers, operations researchers, and applied scientists. Selected material from the book can also be used for a one semester advanced graduate-level course in applied probability and stochastic processes.

Methods and Applications of Statistics in Business, Finance, and Management Science N. Balakrishnan 2010-07-13 Inspired by the Encyclopedia of Statistical Sciences, Second Edition (ESS2e), this volume presents a concise, well-rounded focus on the statistical concepts and applications that are essential for understanding gathered data in the study of business, finance, and management science. The book successfully upholds the goals of ESS2e by combining both previously-published and newly developed contributions written by over 100 leading academics, researchers, and practitioner in a comprehensive, approachable format. The result is a succinct reference that unveils modern, cutting-edge approaches to acquiring and analyzing data across diverse subject areas within these three disciplines, including risk management, mathematical finance, economics, supply chain management, derivative pricing, and resource allocation. In addition, techniques related to survey methodology, computational statistics, and operations research are discussed, where applicable. Topics of coverage include: Logistics Decision analysis Optimization Simulation Forecasting Mathematical modeling Data mining

Markov Decision Processes with Applications to Finance Nicole Bäuerle 2011-06-06 The theory of Markov decision processes focuses on controlled Markov chains in discrete time. The authors establish the theory for general state and action spaces and at the same time show its application by means of numerous examples, mostly taken from the fields of finance and operations research. By using a structural approach many technicalities (concerning measure theory) are avoided. They cover problems with finite and infinite horizons, as well as partially observable Markov decision processes, piecewise deterministic Markov decision processes and stopping problems. The book presents Markov decision processes in action and includes various state-of-the-art applications with a particular view towards finance. It is useful for upper-level undergraduates, Master's students and researchers in both applied probability and finance, and provides exercises (without solutions).

Hidden Markov Models in Finance Rogemar S. Mamon 2007-04-26 A number of methodologies have been employed to provide decision making solutions globalized markets. Hidden Markov Models in Finance offers the first systematic application of these methods to specialized financial problems: option pricing, credit risk modeling, volatility estimation and more. The book provides tools for sorting through turbulence, volatility, emotion, chaotic events – the random "noise" of financial markets – to analyze core components.

Operations Research Kuodi Jian 2016-12-28 This book is dedicated to operations research of broad applications, such as improving informational bases of performance measurement with grey relational analysis, application of lean methodologies in a neurosurgery high dependency unit, iteration algorithms in Markov decision processes with state-action-dependent discount factors and unbounded costs, financial feasibility analysis of Natura Rab business case study, and mathematical modeling of isothermal drying and its

potential application in the design of the industrial drying regimes of clay products. Operations research is an important topic. In addition to its obvious benefits of winning a war, making most profit in a business endeavor, and constructing a correct mathematical model, it also provides a tool for efficient use of natural resources. Furthermore, both theory and practice of operations research and its related concepts are covered in the book, and a reader can benefit from this balanced coverage.

Markov Processes and Applications Etienne Pardoux 2008 Features include: Monte Carlo Method, discrete time Markov chains, Poisson processes and continuous time jump Markov Processes; diffusion processes, mathematical finance and stochastic calculus.

Stochastic Model Checking Anne Remke 2014-11-03 The use of stochastic models in computer science is wide spread, for instance in performance modeling, analysis of randomized algorithms and communication protocols which form the structure of the Internet. Stochastic model checking is an important field in stochastic analysis. It has rapidly gained popularity, due to its powerful and systematic methods to model and analyze stochastic systems. This book presents 7 tutorial lectures given by leading scientists at the ROCKS Autumn School on Stochastic Model Checking, held in Vahrn, Italy, in October 2012. The 7 chapters of this tutorial went through two rounds of reviewing and improvement and are summarizing the state-of-the-art in the field, centered around the three areas of stochastic models, abstraction techniques and stochastic model checking.

Markov Decision Processes Martin L. Puterman 2014-08-28 The Wiley-Interscience Paperback Series consists of selected books that have been made more accessible to consumers in an effort to increase global appeal and general circulation. With these new unabridged softcover volumes, Wiley hopes to extend the lives of these works by making them available to future generations of statisticians, mathematicians, and scientists. "This text is unique in bringing together so many results hitherto found only in part in other texts and papers. . . . The text is fairly self-contained, inclusive of some basic mathematical results needed, and provides a rich diet of examples, applications, and exercises. The bibliographical material at the end of each chapter is excellent, not only from a historical perspective, but because it is valuable for researchers in acquiring a good perspective of the MDP research potential." —Zentralblatt für Mathematik ". . . it is of great value to advanced-level students, researchers, and professional practitioners of this field to have now a complete volume (with more than 600 pages) devoted to this topic. . . . Markov Decision Processes: Discrete Stochastic Dynamic Programming represents an up-to-date, unified, and rigorous treatment of theoretical and computational aspects of discrete-time Markov decision processes." —Journal of the American Statistical Association

Artificial Intelligence Applications and Innovations II Daoliang Li 2006-03-11 Artificial Intelligence is one of the oldest and most exciting subfields of computing, covering such areas as intelligent robotics, intelligent planning and scheduling, model-based reasoning, fault diagnosis, natural language processing, machine translation, knowledge representation and reasoning, knowledge-based systems, knowledge engineering, intelligent agents, machine learning, neural nets, genetic algorithms and knowledge management. The papers in this volume comprise the refereed proceedings of the Second International Conference on Artificial Intelligence Applications and Innovations, held in Beijing, China in 2005. A very promising sign of the growing importance of Artificial Intelligence techniques in practical applications is the large number of submissions received for the conference - more than 150. All papers were reviewed by at least two members of the Program Committee and the best 93 were selected for the conference and are included in this volume. The international nature of IFIP is amply reflected in the large number of countries represented here.

Introductory Stochastic Analysis for Finance and Insurance X. Sheldon Lin 2006-04-21 Incorporates the many tools needed for modeling and pricing in finance and insurance. Introductory Stochastic Analysis for Finance and Insurance introduces readers to the topics needed to master and use basic stochastic analysis techniques for mathematical finance. The author presents the theories of stochastic processes and stochastic calculus and

provides the necessary tools for modeling and pricing in finance and insurance. Practical in focus, the book's emphasis on application, intuition, and computation, rather than theory. Consequently, the text is of interest to graduate students, researchers, and practitioners interested in these areas. While the text is self-contained, an introductory course in probability theory is beneficial to prospective readers. This book evolved from the author's experience as an instructor and has been thoroughly classroom-tested. Following an introduction, the author sets forth the fundamental information and tools needed by researchers and practitioners working in the financial and insurance industries: * Overview of Probability Theory * Discrete-Time stochastic processes * Continuous-time stochastic processes * Stochastic calculus: basic topics The final two chapters, Stochastic Calculus: Advanced Topics and Applications in Insurance, are devoted to more advanced topics. Readers learn the Feynman-Kac formula, the Girsanov's theorem, and complex barrier hitting times distributions. Finally, readers discover how stochastic analysis and principles are applied in practice through two insurance examples: valuation of equity-linked annuities under a stochastic interest rate environment and calculation of reserves for universal life insurance. Throughout the text, figures and tables are used to help simplify complex theory and processes. An extensive bibliography opens up additional avenues of research to specialized topics. Ideal for upper-level undergraduate and graduate students, this text is recommended for one-semester courses in stochastic finance and calculus. It is also recommended as a study guide for professionals taking Causality Actuarial Society (CAS) and Society of Actuaries (SOA) actuarial examinations.

Markov Decision Processes in Practice Richard J. Boucherie 2017-03-10 This book presents classical Markov Decision Processes (MDP) for real-life applications and optimization. MDP allows users to develop and formally support approximate and simple decision rules, and this book showcases state-of-the-art applications in which MDP was key to the solution approach. The book is divided into six parts. Part 1 is devoted to the state-of-the-art theoretical foundation of MDP, including approximate methods such as policy improvement, successive approximation and infinite state spaces as well as an instructive chapter on Approximate Dynamic Programming. It then continues with five parts of specific and non-exhaustive application areas. Part 2 covers MDP healthcare applications, which includes different screening procedures, appointment scheduling, ambulance scheduling and blood management. Part 3 explores MDP modeling within transportation. This ranges from public to private transportation, from airports and traffic lights to car parking or charging your electric car. Part 4 contains three chapters that illustrate the structure of approximate policies for production or manufacturing structures. In Part 5, communications is highlighted as an important application area for MDP. It includes Gittins indices, down-to-earth call centers and wireless sensor networks. Finally Part 6 is dedicated to financial modeling, offering an instructive review to account for financial portfolios and derivatives under proportional transactional costs. The MDP applications in this book illustrate a variety of both standard and non-standard aspects of MDP modeling and its practical use. This book should appeal to readers for practicing, academic research and educational purposes, with a background in, among others, operations research, mathematics, computer science, and industrial engineering.

Optimization, Control, and Applications of Stochastic Systems Daniel Hernández-Hernández 2012-08-15 This volume provides a general overview of discrete- and continuous-time Markov control processes and stochastic games, along with a look at the range of applications of stochastic control and some of its recent theoretical developments. These topics include various aspects of dynamic programming, approximation algorithms, and infinite-dimensional linear programming. In all, the work comprises 18 carefully selected papers written by experts in their respective fields. Optimization, Control, and Applications of Stochastic Systems will be a valuable resource for all practitioners, researchers, and professionals in applied mathematics and operations research who work in the areas of stochastic control, mathematical finance, queueing theory, and inventory systems. It may also serve as a supplemental text for graduate courses in optimal control and dynamic games.

Markov Processes for Stochastic Modeling Oliver Ibe 2013-05-22 Markov processes are processes that have limited memory. In particular, their dependence on the past is only through the previous state. They are used to model the behavior of many systems including communications systems, transportation networks, image segmentation and analysis, biological systems and DNA sequence analysis, random atomic motion and diffusion in physics, social mobility, population studies, epidemiology, animal and insect migration, queueing systems, resource management, dams, financial engineering, actuarial science, and decision systems. Covering a wide range of areas of application of Markov processes, this second edition is revised to highlight the most important aspects as well as the most recent trends and applications of Markov processes. The author spent over 16 years in the industry before returning to academia, and he has applied many of the principles covered in this book in multiple research projects. Therefore, this is an applications-oriented book that also includes enough theory to provide a solid ground in the subject for the reader. Presents both the theory and applications of the different aspects of Markov processes Includes numerous solved examples as well as detailed diagrams that make it easier to understand the principle being presented Discusses different applications of hidden Markov models, such as DNA sequence analysis and speech analysis.

Stochastic Processes, Optimization, and Control Theory: Applications in Financial Engineering, Queueing Networks, and Manufacturing Systems

Houmin Yan 2006-09-10 This edited volume contains 16 research articles. It presents recent and pressing issues in stochastic processes, control theory, differential games, optimization, and their applications in finance, manufacturing, queueing networks, and climate control. One of the salient features is that the book is highly multi-disciplinary. The book is dedicated to Professor Suresh Sethi on the occasion of his 60th birthday, in view of his distinguished career.

Discrete-Time Markov Chains G. George Yin 2006-03-30 This book focuses on two-time-scale Markov chains in discrete time. Our motivation stems from existing and emerging applications in optimization and control of complex systems in manufacturing, wireless communication, and financial engineering. Much of our effort in this book is devoted to designing system models arising from various applications, analyzing them via analytic and probabilistic techniques, and developing feasible computation schemes.

Our main concern is to reduce the inherent system complexity. Although each of the applications has its own distinct characteristics, all of them are closely related through the modeling of uncertainty due to jump or switching random processes. One of the salient features of this book is the use of multi-time scales in Markov processes and their applications.

Intuitively, not all parts or components of a large-scale system evolve at the same rate. Some of them change rapidly and others vary slowly. The different rates of variations allow us to reduce complexity via decomposition and aggregation. It would be ideal if we could divide a large system into its smallest irreducible subsystems completely separable from one another and treat each subsystem independently. However, this is often infeasible in reality due to various physical constraints and other considerations. Thus, we have to deal with situations in which the systems are only nearly decomposable in the sense that there are weak links among the irreducible subsystems, which dictate the occasional regime changes of the system. An effective way to treat such near decomposability is time-scale separation. That is, we set up the systems as if there were two time scales, fast vs. slow. xii Preface

Following the time-scale separation, we use singular perturbation methodology to treat the underlying systems.

Modelling Under Risk and Uncertainty Etienne de Rocquigny 2012-04-30

"This volume addresses a concern of very high relevance and growing interest for large industries or environmentalists: risk and uncertainty in complex systems. It gives new insight on the peculiar mathematical challenges generated by recent industrial safety or environmental control analysis, focusing on implementing decision theory choices related to risk and uncertainty analysis through statistical estimation and computation, in the presence of physical modeling and risk analysis. The result will lead statisticians and associated professionals to formulate and solve new challenges

at the frontier between statistical modeling, physics, scientific computing, and risk analysis"--

Mathematical Finance Ernst Eberlein 2019-12-03 Taking continuous-time stochastic processes allowing for jumps as its starting and focal point, this book provides an accessible introduction to the stochastic calculus and control of semimartingales and explains the basic concepts of Mathematical Finance such as arbitrage theory, hedging, valuation principles, portfolio choice, and term structure modelling. It bridges the gap between introductory texts and the advanced literature in the field. Most textbooks on the subject are limited to diffusion-type models which cannot easily account for sudden price movements. Such abrupt changes, however, can often be observed in real markets. At the same time, purely discontinuous processes lead to a much wider variety of flexible and tractable models. This explains why processes with jumps have become an established tool in the statistics and mathematics of finance. Graduate students, researchers as well as practitioners will benefit from this monograph.

Analysis of Financial Time Series Ruey S. Tsay 2005-09-15 Provides statistical tools and techniques needed to understand today's financial markets The Second Edition of this critically acclaimed text provides a comprehensive and systematic introduction to financial econometric models and their applications in modeling and predicting financial time series data. This latest edition continues to emphasize empirical financial data and focuses on real-world examples. Following this approach, readers will master key aspects of financial time series, including volatility modeling, neural network applications, market microstructure and high-frequency financial data, continuous-time models and Ito's Lemma, Value at Risk, multiple returns analysis, financial factor models, and econometric modeling via computation-intensive methods. The author begins with the basic characteristics of financial time series data, setting the foundation for the three main topics: Analysis and application of univariate financial time series Return series of multiple assets Bayesian inference in finance methods This new edition is a thoroughly revised and updated text, including the addition of S-Plus® commands and illustrations. Exercises have been thoroughly updated and expanded and include the most current data, providing readers with more opportunities to put the models and methods into practice. Among the new material added to the text, readers will find: Consistent covariance estimation under heteroscedasticity and serial correlation Alternative approaches to volatility modeling Financial factor models State-space models Kalman filtering Estimation of stochastic diffusion models The tools provided in this text aid readers in developing a deeper understanding of financial markets through firsthand experience in working with financial data. This is an ideal textbook for MBA students as well as a reference for researchers and professionals in business and finance.

Handbook of Markov Decision Processes Eugene A. Feinberg 2012-12-06

Eugene A. Feinberg Adam Schwartz This volume deals with the theory of Markov Decision Processes (MDPs) and their applications. Each chapter was written by a leading expert in the respective area. The papers cover major research areas and methodologies, and discuss open questions and future research directions. The papers can be read independently, with the basic notation and concepts of Section 1.2. Most chapters should be accessible by graduate or advanced undergraduate students in fields of operations research, electrical engineering, and computer science. 1.1 AN OVERVIEW OF MARKOV DECISION PROCESSES The theory of Markov Decision Processes—also known under several other names including sequential stochastic optimization, discrete-time stochastic control, and stochastic dynamic programming—studies sequential optimization of discrete time stochastic systems. The basic object is a discrete-time stochastic system whose transition mechanism can be controlled over time. Each control policy defines the stochastic process and values of objective functions associated with this process. The goal is to select a "good" control policy. In real life, decisions that humans and computers make on all levels usually have two types of impacts: (i) they cost or save time, money, or other resources, or they bring revenues, as well as (ii) they have an impact on the future, by influencing the dynamics. In many situations, decisions with the largest immediate profit may not be good in view of future events. MDPs model this paradigm and provide results on the

structure and existence of good policies and on methods for their calculation.

Markov Decision Processes with Applications to Finance Nicole Bäuerle

2011-06-08 The theory of Markov decision processes focuses on controlled Markov chains in discrete time. The authors establish the theory for general state and action spaces and at the same time show its application by means of numerous examples, mostly taken from the fields of finance and operations research. By using a structural approach many technicalities (concerning measure theory) are avoided. They cover problems with finite and infinite horizons, as well as partially observable Markov decision processes, piecewise deterministic Markov decision processes and stopping problems. The book presents Markov decision processes in action and includes various state-of-the-art applications with a particular view towards finance. It is useful for upper-level undergraduates, Master's students and researchers in both applied probability and finance, and provides exercises (without solutions).

The Handbook of Structured Finance Arnaud de Servigny 2007-02-14

Structured finance is a \$2 trillion market used by all major institutional investors Both authors are highly regarded structured finance experts from Standard & Poor's Features Standard & Poor's exclusive techniques in default risk models and cash-flow models

Planning with Markov Decision Processes Mausam Natarajan 2022-06-01

Markov Decision Processes (MDPs) are widely popular in Artificial Intelligence for modeling sequential decision-making scenarios with probabilistic dynamics. They are the framework of choice when designing an intelligent agent that needs to act for long periods of time in an environment where its actions could have uncertain outcomes. MDPs are actively researched in two related subareas of AI, probabilistic planning and reinforcement learning. Probabilistic planning assumes known models for the agent's goals and domain dynamics, and focuses on determining how the agent should behave to achieve its objectives. On the other hand, reinforcement learning additionally learns these models based on the feedback the agent gets from the environment. This book provides a concise introduction to the use of MDPs for solving probabilistic planning problems, with an emphasis on the algorithmic perspective. It covers the whole spectrum of the field, from the basics to state-of-the-art optimal and

approximation algorithms. We first describe the theoretical foundations of MDPs and the fundamental solution techniques for them. We then discuss modern optimal algorithms based on heuristic search and the use of structured representations. A major focus of the book is on the numerous approximation schemes for MDPs that have been developed in the AI literature. These include determinization-based approaches, sampling techniques, heuristic functions, dimensionality reduction, and hierarchical representations. Finally, we briefly introduce several extensions of the standard MDP classes that model and solve even more complex planning problems. Table of Contents: Introduction / MDPs / Fundamental Algorithms / Heuristic Search Algorithms / Symbolic Algorithms / Approximation Algorithms / Advanced Notes

Applications of Stochastic Models in Finance Reza Habibi 2014-08-14 This note contains some applications of stochastic models in finance. For example, we survey Markov Decision Processes, Bayesian Networks, Adaptive Control, Black-Scholes Pricing methods. This note involves the change point analysis in some financial models, risk management, portfolio selection and credit scoring in financial institutions. Some papers are too short, however, we have studied an observation.

Continuous-Time Markov Decision Processes Alexey Piunovskiy 2020-12-11

This book offers a systematic and rigorous treatment of continuous-time Markov decision processes, covering both theory and possible applications to queueing systems, epidemiology, finance, and other fields. Unlike most books on the subject, much attention is paid to problems with functional constraints and the realizability of strategies. Three major methods of investigations are presented, based on dynamic programming, linear programming, and reduction to discrete-time problems. Although the main focus is on models with total (discounted or undiscounted) cost criteria, models with average cost criteria and with impulsive controls are also discussed in depth. The book is self-contained. A separate chapter is devoted to Markov pure jump processes and the appendices collect the requisite background on real analysis and applied probability. All the statements in the main text are proved in detail. Researchers and graduate students in applied probability, operational research, statistics and engineering will find this monograph interesting, useful and valuable.