Pricing and hedging derivative securities in markets with uncertain volatilities

http://www.happywednesday.org/portal/node/587

{...a model for pricing and hedging derivative securities and option portfolios in an environment where the volatility is not known precisely, but is assumed instead to lie between two extreme values σ_{min} and σ_{max}.... ...the quot;pricingquot; volatility is selected dynamically from the two extreme values σ_{min}, σ_{max}, according to the convexity of the value-function.....

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$ManagingtheVolatilityRiskofPortfoliosofDerivativeSecurities : TheLagrangianUncertainVolatilityModel <$
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