Analysis Seminar

Dynamic mean-variance problem and its time-inconsistency

By

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Abstract: Markowitz (1952) studied the trade-off between maximizing the expected value and minimizing the variance of return in the context of portfolio selection in a risky market. The static problem formulated by him has a simple analytical solution and has become a standard textbook subject over the years. On the other hand, the dynamic version of this problem in discrete or continuous time suffers from time-inconsistency, namely, that an optimal trading strategy calculated today may fail to stay optimal for the similar problem solved tomorrow. This talk gives some exposition to the various approaches for handling the time-inconsistency of the dynamic mean-variance problem as well as some related time-consistent problems. At the end, some alternative approaches and open questions are discussed.

Date: Tuesday, November 27, 2018

Time: 16:00-17:00

Place: Mathematics Seminar Room, SA – 141

Tea and cookies will be served before the seminar.