Derivative Securities/Black-Scholes

* Why will the value oft he Option will exceed ist expiration value, before expiration?
* In the one period Binomial Option Pricing Formula: why does it not mean uSX + Rb?
* We can use the method of forming a portfolio consisting of the underlying asset and the Call option because they are perfectly correlated and we get a riskless portfolio out of that. But why can we apply the other method with Bond and Stock? Is it just all about relating the value portfolio and the value of the option in a way that they have the same value and so no arbitrage is possible ?
* What is the Intuition behind the volatility smile? How do we know that i looks like this? And Why does our Pricing formula doesn´t depend on the drift in S?

Lucas Model

* What are those Arch/garch effets the martingale is consistent with? And what does the covariance in the Euler Equation tell us about time varying risk premia?
* In the log utility case: Why are the dynamics in y(t) irrelevant and why is the P/D ratio costant?
* What does the result of the Special case with discrete states tell us?
* Can you explain to me how intertemp. Subst. , precautionary saving and impatience influences the risk free rate?
* Equity Premium Puzzle: Can you explain the sources of the Puzzle and the part where it says Why not high gamma?

Hansen-Jagannathan Bounds:

* I think I understand that the bounds restrict the possible SDF but what exactly is the intuition behind this concept, especially how does it relate to the equity premium puzzle ?
* I don´t understand why we have the results 3 a, b.
* I don´t understand what is going on where we try to find the min. variance discount factor.
* The Interpretation of the Graph would be: the v-shaped part is the bound and everything in it is feasible? And the Dotted Graph shows how the SDF evolves for different prices of risk?

Rational Bubbles:

* Why are the Bubbles in this model rational? Because People expect the prices to rise?
* How can we conclude from the solution of the collapsing bubble that the faster the Price rises the more likely is the bubble to collapse?
* In the Section Problems with Bubbles: Problem 4: Is it by definition not related to fundamentals because the bubble component is the homogenous part of the solution?

Harrison and Kreps:

* In the 2 state markov-chain model: Does the Price fluctuate between the price for state 0 and 1? And in which way can I see that trading volume is constant?
* Is the fact that there is no correlation between trading volume and price fluctuation a problem of this model ?

Scheinkman:

* I´m a bit confused about the periods: we start with P3 = 0 and then go on with period 1. Why ?
* Why does trading volume increase with q?

Grossman:

* Does the individual demand not depend on individual signals because auf the sufficent statistic? What is Grossmans out-of-Equilibrium argument?
* Is the Intuition behind the Grossman paradox that there is an equilibrium price even if observing signals is costly, because people who pay for signals gaining excess return equal to the paid cost?