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A mathematical model for contingent claim pricing in a preannounced policy

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Abstract

This paper presents a mathematical model for contingent claim pricing in a preannounced policy. There are some properties in the model. First, one can distinguish the preannouncement effects on the mean and volatility of asset returns. Second, the European call option pricing solution in the model can reduce to the Black-Sholes (1973) formula as no preannouncement effects occur before maturity.

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