Arbitrage with Holding Costs: An Utility-Based Approach (Classic Reprint) (Paperback)

By Bruce Tuckman

Forgotten Books, United States, 2015. Paperback. Book Condition: New. 229 x 152 mm. Language: English . Brand New Book ***** Print on Demand *****.Excerpt from Arbitrage With Holding Costs: An Utility-Based Approach Unit time costs, or holding costs, are incurred in many arbitrage contexts. Well known examples include losing the use of short sale proceeds and lending funds at below market rates in reverse repurchase agreements. This paper analyzes the investment problem of a risk averse arbitrageur who faces holding costs. The proposed model allows prices to deviate from their fundamental values without allowing for risk averse arbitrage opportunities. After characterizing an arbitrageurs optimal strategy, the model is examined in the context of the Treasury bond market. The analysis reveals that holding costs are an important friction in this market and that they can be expected to be a significant determinant of arbitrageur behaviour. About the Publisher Forgotten Books publishes hundreds of thousands of rare and classic books. Find more at This book is a reproduction of an important historical work. Forgotten Books uses state-of-the-art technology to digitally reconstruct the work, preserving the original format whilst repairing imperfections present in the aged copy. In rare cases, an imperfection in the...

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