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8.2 Pricing derivatives on precipitation

Sommario/riassunto

Weather derivatives provide a tool for weather risk management, and the markets for these exotic financial products are gradually emerging in size and importance. This unique monograph presents a unified approach to the modeling and analysis of such weather derivatives, including financial contracts on temperature, wind and rain. Based on a deep statistical analysis of weather factors, sophisticated stochastic processes are introduced modeling the time and space dynamics. Applying ideas from the modern theory of mathematical finance, weather derivatives are priced, and questions of hedging ana