## The Malliavin Calculus and Related Topics



## Contents

Introduction			1		
1	Analysis on the Wiener space				
	1.1	Wiener chaos and stochastic integrals		3	
		1.1.1	The Wiener chaos decomposition	4	
		1.1.2	The white noise case: Multiple Wiener-Itô integrals.	8	
		1.1.3	Itô stochastic calculus	15	
	1.2	The d	he derivative operator		
		1.2.1	The derivative operator in the white noise case	31	
	1.3	The d	livergence operator	36	
		1.3.1	Properties of the divergence operator	37	
		1.3.2	The Skorohod integral	40	
		1.3.3			
			of the Skorohod integral	44	
		1.3.4	Stochastic integral representation		
			of Wiener functionals	46	
		1.3.5	Local properties	47	
	1.4				
		1.4.1	The semigroup of Ornstein-Uhlenbeck	54	
		1.4.2	The generator of the Ornstein-Uhlenbeck semigroup	58	
		1.4.3	Hypercontractivity property		
			and the multiplier theorem	61	
	1.5	Sobol	ev spaces and the equivalence of norms	67	

<b>2</b>	Reg	gularit	y of probability laws	85	
	2.1	Regul	arity of densities and related topics	85	
		2.1.1	Computation and estimation of probability densities	86	
		2.1.2	A criterion for absolute continuity		
			based on the integration-by-parts formula	90	
		2.1.3	Absolute continuity using Bouleau and Hirsch's ap-		
			proach	94	
		2.1.4	Smoothness of densities	99	
		2.1.5	Composition of tempered distributions with nonde-		
			generate random vectors	104	
		2.1.6	Properties of the support of the law	105	
		2.1.7	Regularity of the law of the maximum		
			of continuous processes	108	
	2.2	Stoch	astic differential equations	116	
		2.2.1	Existence and uniqueness of solutions	117	
		2.2.2	Weak differentiability of the solution	119	
	2.3	Hypo	ellipticity and Hörmander's theorem	125	
		2.3.1	Absolute continuity in the case		
			of Lipschitz coefficients	125	
		2.3.2	Absolute continuity under Hörmander's conditions .	128	
		2.3.3	Smoothness of the density		
			under Hörmander's condition	133	
	2.4	Stoch	astic partial differential equations	142	
		2.4.1	Stochastic integral equations on the plane	142	
		2.4.2	Absolute continuity for solutions		
			to the stochastic heat equation	151	
3	Anticipating stochastic calculus				
	3.1	Appro	eximation of stochastic integrals	169	
		3.1.1	Stochastic integrals defined by Riemann sums	170	
		3.1.2	The approach based on the $L^2$ development		
			of the process	176	
	3.2	Stoch	astic calculus for anticipating integrals	180	
		3.2.1	Skorohod integral processes	180	
		3.2.2	Continuity and quadratic variation		
			of the Skorohod integral	181	
		3.2.3	Itô's formula for the Skorohod		
			and Stratonovich integrals	184	
		3.2.4	Substitution formulas	195	
	3.3	Antic	ipating stochastic differential equations	208	
		3.3.1	Stochastic differential equations		
			in the Sratonovich sense	208	
		3.3.2	Stochastic differential equations with boundary con-		
			ditions	215	

		3.3.3	Stochastic differential equations			
			in the Skorohod sense	217		
4	Transformations of the Wiener measure					
	4.1	Antici	ipating Girsanov theorems			
		4.1.1	The adapted case	226		
		4.1.2	General results on absolute continuity			
			of transformations	228		
		4.1.3	Continuously differentiable variables			
			in the direction of $H^1$	230		
		4.1.4	Transformations induced by elementary processes	232		
		4.1.5	Anticipating Girsanov theorems	234		
	4.2	Mark	ov random fields	241		
		4.2.1	Markov field property for stochastic differential			
			equations with boundary conditions	242		
		4.2.2	Markov field property for solutions			
			to stochastic partial differential equations	249		
		4.2.3	Conditional independence			
			and factorization properties	258		
5	Fractional Brownian motion					
	5.1	Defini	ition, properties and construction of the fractional Brown	1-		
		ian m	otion	273		
		5.1.1	Semimartingale property	274		
		5.1.2	Moving average representation	276		
		5.1.3	Representation of fBm on an interval	277		
	5.2	Stoch	astic calculus with respect to fBm	287		
		5.2.1		287		
		5.2.2	Stochastic calculus with respect to fBm. Case $H > \frac{1}{2}$	288		
		5.2.3	Stochastic integration with respect to fBm in the case I			
			$rac{1}{2}$	295		
	5.3	Stoch	astic differential equations driven by a fBm	306		
		5.3.1	• 0	306		
		5.3.2	•	309		
		5.3.3	Stochastic differential equations with respect to fBm	312		
	5.4	Vorte	x filaments based on fBm	313		
6	Malliavin Calculus in finance 32					
	6.1	Black	-Scholes model	32.		
		6.1.1	Arbitrage opportunities and martingale measures	323		
		6.1.2	Completeness and hedging	325		
		6.1.3	Black-Scholes formula	32		
	6.2	Integr	ration by parts formulas and computation of Greeks .	330		
		6.2.1	Computation of Greeks for European options	332		
		6.2.2	Computation of Greeks for exotic options	334		

## xiv Contents

	6.3	Application of the Clark-Ocone formula in hedging	336						
		6.3.1 A generalized Clark-Ocone formula	336						
		6.3.2 Application to finance	338						
	6.4	Insider trading	340						
A	App	pendix	351						
	A.1	A Gaussian formula	351						
	A.2	Martingale inequalities	351						
	A.3	Continuity criteria	353						
	A.4	Carleman-Fredholm determinant	354						
	<b>A</b> .5	Fractional integrals and derivatives	355						
	References								
Index									