

Contents

Preface — V

Preface to the second edition — VII

0 Introduction — 1

1 Lévy processes and Itô calculus — 5

1.1 Poisson random measure and Lévy processes — 5

1.1.1 Lévy processes — 5

1.1.2 Examples of Lévy processes — 8

1.1.3 Stochastic integral for a finite variation process — 11

1.2 Basic materials for SDEs with jumps — 13

1.2.1 Martingales and semimartingales — 13

1.2.2 Stochastic integral with respect to semimartingales — 15

1.2.3 Doléans' exponential and Girsanov transformation — 22

1.3 Itô processes with jumps — 25

2 Perturbations and properties of the probability law — 33

2.1 Integration-by-parts on Poisson space — 33

2.1.1 Bismut's method — 35

2.1.2 Picard's method — 45

2.1.3 Some previous methods — 51

2.2 Methods of finding the asymptotic bounds (I) — 58

2.2.1 Markov chain approximation — 59

2.2.2 Proof of Theorem 2.3 — 63

2.2.3 Proof of lemmas — 69

2.3 Methods of finding the asymptotic bounds (II) — 75

2.3.1 Polygonal geometry — 76

2.3.2 Proof of Theorem 2.4 — 77

2.3.3 Example of Theorem 2.4 – easy cases — 87

2.4 Summary of short time asymptotic bounds — 94

2.4.1 Case that $\mu(dz)$ is absolutely continuous with respect to the m -dimensional Lebesgue measure dz — 94

2.4.2 Case that $\mu(dz)$ is singular with respect to dz — 95

2.5 Auxiliary topics — 97

2.5.1 Marcus' canonical processes — 97

2.5.2 Absolute continuity of the infinitely divisible laws — 100

2.5.3 Chain movement approximation — 105

2.5.4 Support theorem for canonical processes — 107

3	Analysis of Wiener–Poisson functionals — 111
3.1	Calculus of functionals on the Wiener space — 111
3.1.1	Definition of the Malliavin–Shigekawa derivative D_t — 113
3.1.2	Adjoint operator $\delta = D^*$ — 117
3.2	Calculus of functionals on the Poisson space — 119
3.2.1	One-dimensional case — 119
3.2.2	Multidimensional case — 122
3.2.3	Characterisation of the Poisson space — 125
3.3	Sobolev space for functionals over the Wiener–Poisson space — 129
3.3.1	The Wiener space — 129
3.3.2	The Poisson Space — 130
3.3.3	The Wiener–Poisson space — 137
3.4	Relation with the Malliavin operator — 144
3.5	Composition on the Wiener–Poisson space (I) – general theory — 146
3.5.1	Composition with an element in \mathcal{S}' — 147
3.5.2	Sufficient condition for the composition — 153
3.6	Smoothness of the density for Itô processes — 158
3.6.1	Preliminaries — 158
3.6.2	Big perturbations — 161
3.6.3	Concatenation (I) — 165
3.6.4	Concatenation (II) – the case that (D) may fail — 172
3.6.5	More on the density — 178
3.7	Composition on the Wiener–Poisson space (II) – Itô processes — 192
4	Applications — 195
4.1	Asymptotic expansion of the SDE — 195
4.1.1	Analysis on the stochastic model — 198
4.1.2	Asymptotic expansion of the density — 219
4.1.3	Examples of asymptotic expansions — 223
4.2	Optimal consumption problem — 229
4.2.1	Setting of the optimal consumption — 229
4.2.2	Viscosity solutions — 232
4.2.3	Regularity of solutions — 251
4.2.4	Optimal consumption — 255
4.2.5	Historical sketch — 258
	Appendix — 261
	Bibliography — 265
	List of symbols — 275
	Index — 277