

Influence of Mathematical Models on Warrant Pricing with Fractional Brownian Motion as Numerical Method

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Warrant pricing has become very crucial in the present market scenario. Different statistical and mathematical analysis of warrant evaluation to analyze the relationship between the prices of a warrants and common stocks and to take the price effects and probabilities into consideration to decide the fair value of warrants are used in this paper. Fractional Brownian motion is used to avoid independence on warrant pricing. Mathematical models are also applied on warrant pricing by using the Black-Scholes framework. The relationship between the price of the warrants and the price of the call accounts for the dilution effect is also studied mathematically in this paper.

Keywords: Warrant Pricing, fractional Brownian motion, Black-Scholes model, Option-pricing model, Dilution effects, Volatility, Mathematical analysis.