



THE OPTION PRICING MODEL OF n -FORK TREE

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Abstract

American option is a very active option in the current financial market, its pricing has been widely concerned, the commonly used option is the binary tree pricing model, and the binary tree diagram method is the simplest, it is a discrete form of the continuous time model of the underlying asset price, the Triangle Tree method is also a numerical method for option pricing. Based on the different possibilities of the underlying asset price, this paper makes a detailed analysis of the quadratic tree diagram, describe the irrationality of the pricing of the quaternary tree, furthermore, it is proved that the pricing of n -fork tree option is unreasonable. In this paper, we use the portfolio example to verify that our assertions are correct.

Keywords and phrases: binary tree pricing model, pricing model of n -fork tree.

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