
Contents

1	Measurability of stochastic processes	1
1.1	Stopping times and progressively measurable processes	1
1.2	Predictable processes	9
1.3	Assumptions on filtrations	11
1.4	Debut times and representation of stopping times	18
1.5	Exercises	29
2	Martingales	31
2.1	Uniform integrability	31
2.2	Introduction to martingales	33
2.3	Upcrossings	35
2.4	Discrete martingale theory	44
2.5	Martingales in negative discrete time	46
2.6	Martingales in continuous time	49
2.7	Martingale Modification Theorem	55
2.8	Optional Sampling	57
2.9	Martingales and natural filtrations	61
2.10	Exercises	64
3	The Lebesgue-Stieltjes integral	65
3.1	Functions of locally bounded variation	65
3.2	Integration	71
3.3	Processes of locally bounded variation	90
3.4	Exercises	100
4	Continuous local martingales	101
4.1	Exercises	106
5	Variance and covariance processes	107
5.1	Exercises	118

Contents

6	Integration w.r.t. bounded martingales	121
6.1	Basic, predictable processes	121
6.2	Simple, predictable processes	123
6.3	Square-integrable processes	127
6.4	Integration and stopping times	136
6.5	Exercises	137
7	Integration w.r.t. local martingales	139
7.1	Itô's formula	149
7.2	Burkholder-Davis-Gundy's inequality	151
7.3	Exercises	157
8	Integration w.r.t. semimartingales	159
8.1	The Associative law	166
8.2	Multivariate Itô's formula	167
8.3	Exercises	174
9	Further topics	177
9.1	Stochastic Fubini	177
9.2	Meyer-Tanaka's formula and local time	186
9.3	Girsanov's Theorem	200
9.4	Exponential local martingales	208
9.5	Change of time	208
9.6	Martingales adapted to Brownian filtrations	221
9.7	Exercises	229
10	Stochastic differential equations	233
10.1	Stochastic differential equations	237
10.2	Yamada and Watanabe	250
10.3	Weak Solutions	253
10.4	The martingale problem	257
10.5	Change of measure	264
10.6	Exercises	271
	Appendices	275
A	Measure theory	277
A.1	Kunita-Watanabe's Inequality	277
A.2	Monotone Class Theorem	280
A.3	Measures and distributions	288
A.4	Stochastic processes as stochastic functions	295
A.5	Kolmogorov's Extension Theorem	303
A.6	Regular conditional probabilities	304
A.7	Borel Isomorphisms	306
A.8	Existence of probability measures	313
A.9	Exercises	323
B	Polynomial approximation	325

C	Basic analysis	335
C.1	Metric spaces and sequences	335
C.2	Compactness in complete spaces	338
C.3	Continuity	339
C.4	Convex functions	341
C.5	Point-set-topology	348
C.6	Exercises	358
D	Spaces of probability measures	359
D.1	Weak convergence	359
D.2	Prokhorov's Theorem	369
D.3	Metric properties of $\mathcal{P}(S)$	381
D.4	Measurability of $x \mapsto \mathbb{P}_x$	389
	Bibliography	393
	Index	395