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**Carole Bernard** and **Stephan Sturm\*** ([ss Sturm@wpi.edu](mailto:ss Sturm@wpi.edu)), Department of Mathematical Sciences, 100 Institute Road, Worcester, MA. *Cost efficiency in incomplete markets*. Preliminary report.

We consider a portfolio choice problem maximizing terminal wealth on a finite time horizon. The cost-efficiency in complete market characterizes the optimal portfolio as the minimizer of the risk neutral hedging costs among all random variables having the same distribution. We provide a generalization of the cost efficiency principle to incomplete markets and provide applications to the characterization of the rationality of portfolio choice. (Received August 06, 2015)