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David German* (dgerman@cmc.edu), 850 Columbia Ave, Claremont, CA 91711-6420. *Illiquid Markets and Demand-driven Prices.*

We study a financial model with a non-trivial price impact effect. In this model we consider the interaction of a large investor trading in an illiquid security, and a market maker who is quoting prices for this security. We assume that the market maker quotes the prices such that by taking the other side of the investor's demand, the market maker will arrive at maturity with maximal expected wealth. Within this model we concentrate on two major issues: evaluation of contingent claims, and hedging. (Received September 14, 2009)