

When to efficiently rebalance a portfolio

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Abstract

A constant weight asset allocation is a popular investment strategy and is optimal under a suitable continuous model. We study the tracking error for the target continuous rebalancing by a feasible finite-time rebalancing under a general multi-dimensional Brownian semimartingale model of asset prices. In a high-frequency asymptotic framework, we derive an asymptotically efficient strategy among simple predictable processes.



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