Explicit Bayes Solutions to Partially Observable Investment/Consumption Decision Problems

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Abstract

In this paper, we consider continuous time investment/consumption models for a finite horizon. The drift parameters are assumed to be random variables with prior distributions. Explicit analytic solutions to the Hamiton-Jacobi-Bellman equations associated with the Bayes problems will be derived for classes of utillty functions and prior distributions. The optimal strategies will be given as closed form solutions.