

External investment & consumption

- Price $p(\eta_t)$
- Intermediary's value function $f(\eta_t)n_t$ ← linear in n_t

$$dn_t = rn_t dt + ak_t dt - i_t dt - k_t p_t [(\Phi(i_t/k_t) - \delta - \mu_t^p + \sigma \sigma_t^p) dt + (\sigma + \sigma_t^p) dZ_t] - dc_t$$

- solve for equilibrium $p(\eta_t)$ and $f(\eta_t)$

- Bellman equation

$$\rho f(\eta_t)n_t = \max_k E[dc + d(f(\eta_t)n_t)] = \dots$$

← =0 if $f(\eta_t) > 1$

- Optimal "external investment/trading strategy" k_t (as a function of η_t and n_t)