

Lab Week 6 - Monte Carlo method for European option pricing

Write a Matlab code that computes the price of a European call option in the Heston model using the Monte Carlo method. In order to generate paths use both Euler-Maruyama and Milstein schemes. Compare your results with those obtained from Moodley (2006) discussed in lab week 4.

References

- [1] Moodley, N. The Heston Model: A Practical Approach with Matlab Code. Available on-line at <http://math.nyu.edu/~atm262/fall06/compmethods/a1/nimalinmoodley.pdf>