







Student learning objectives

9.6 Explain the effect of volatility on the arbitrage-free value of an option;
9.7 Interpret an option-adjusted spread with respect to a nominal spread and to benchmark interest rates;
9.8 Calculate the value of a putable bond, using an interest rate tree.

These slides have been drafted by the Department of Finance. La Trobe Business School based on Fabozzi (2007). 8.3

















































































