

Computational Homework 6

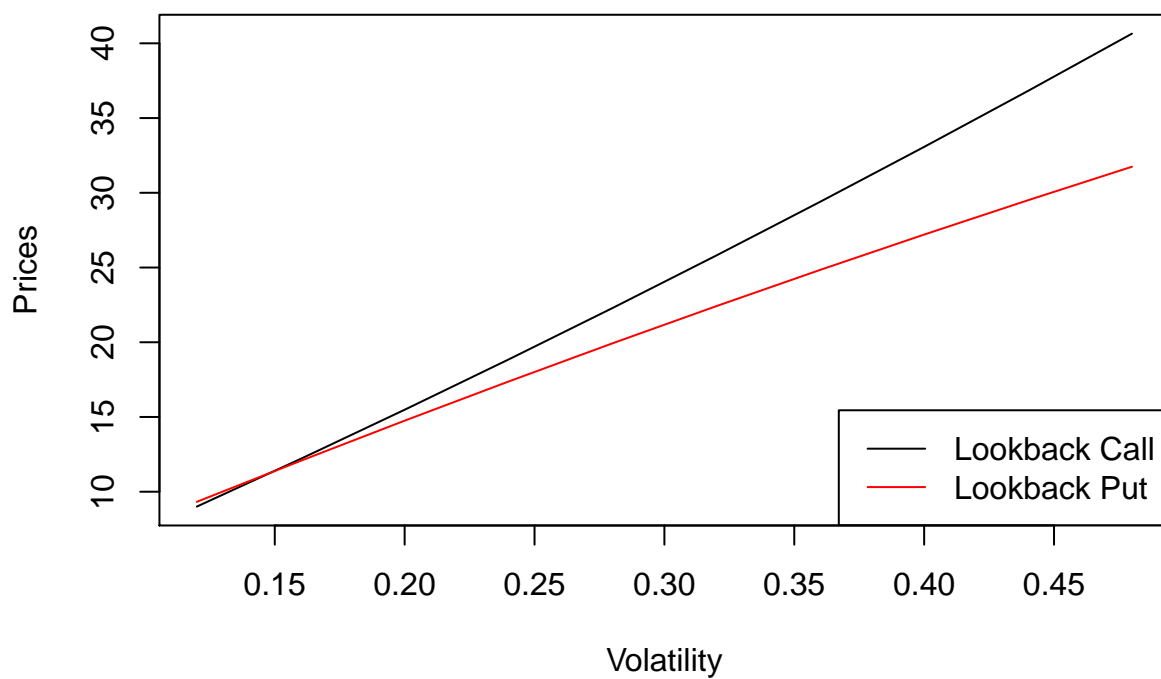
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Question 1

Table 1: Lookback Prices

Volatility	Call Prices	Put Prices
0.12	9.00649	9.32563
0.16	12.20020	12.06960
0.20	15.48420	14.75230
0.24	18.84660	17.37110
0.28	22.28670	19.92590
0.32	25.80530	22.41590
0.36	29.40000	24.84220
0.40	33.07090	27.20410
0.44	36.81810	29.50300
0.48	40.64560	31.74280

Lookback prices



Question 2

Part a

The default information for the default case are as below: (Default time in years)

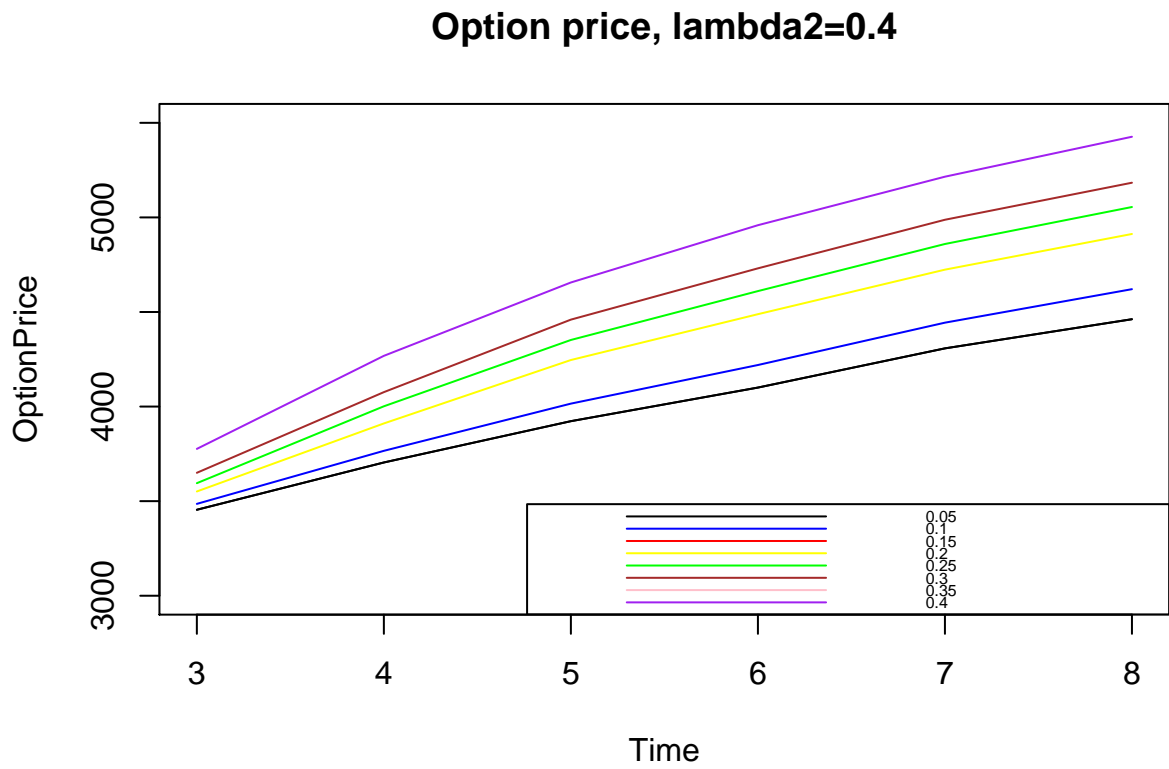
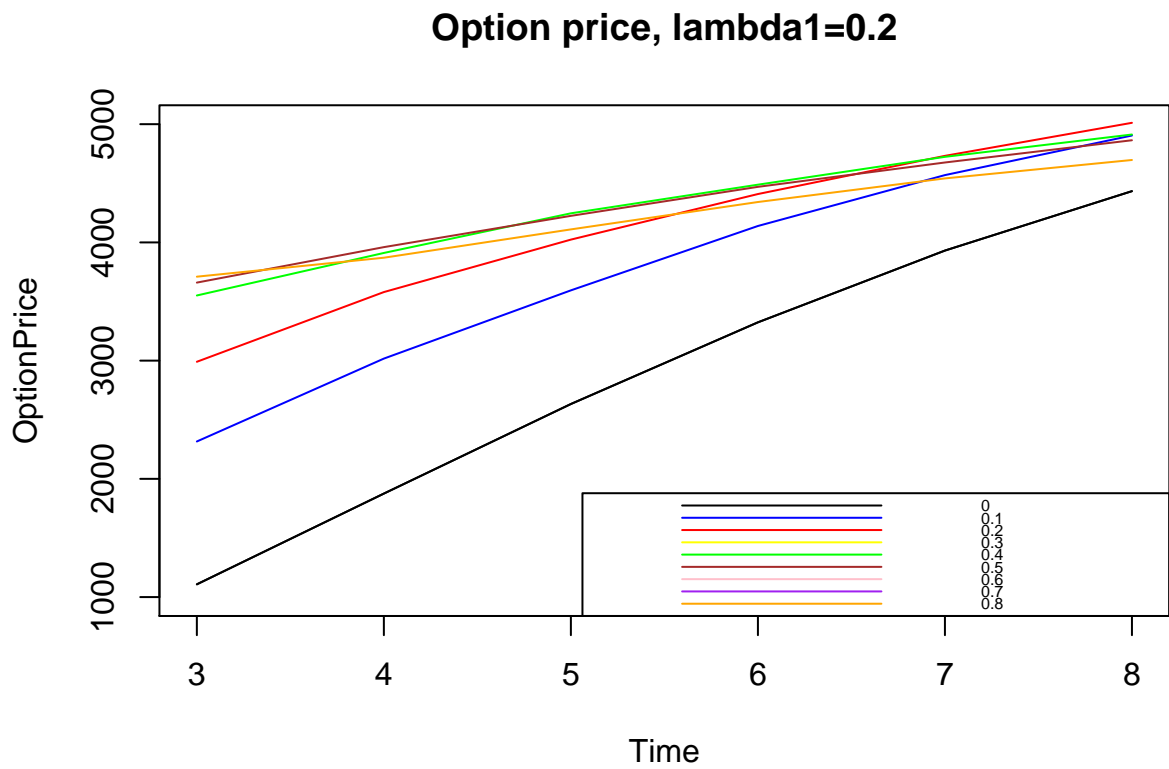
Lambda1	Lambda2	Time(years)	Default Option Price	Expected Exercise Time	Probability
0.2	0.4	5	4246.01	1.20344	0.9443

Part b

As per the question, there will be 6 graphs. 2 each for Default Option Price, Probability and Expected Exercise time.

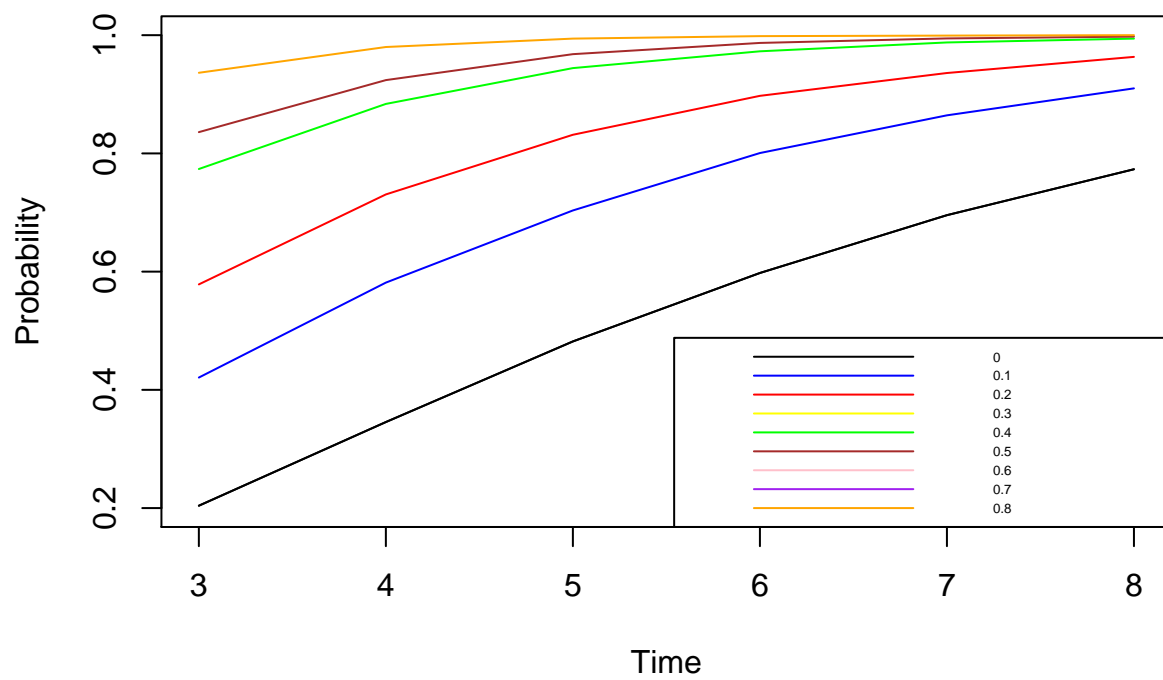
Within the 2,

- 1) Graph 1 will keep λ_1 constant at 0.2. The graph is a function of time and will have multiple lines for each λ_2 .
- 2) Graph 2 will keep λ_2 constant at 0.4. The graph is a function of time and will have multiple lines for each λ_1 .

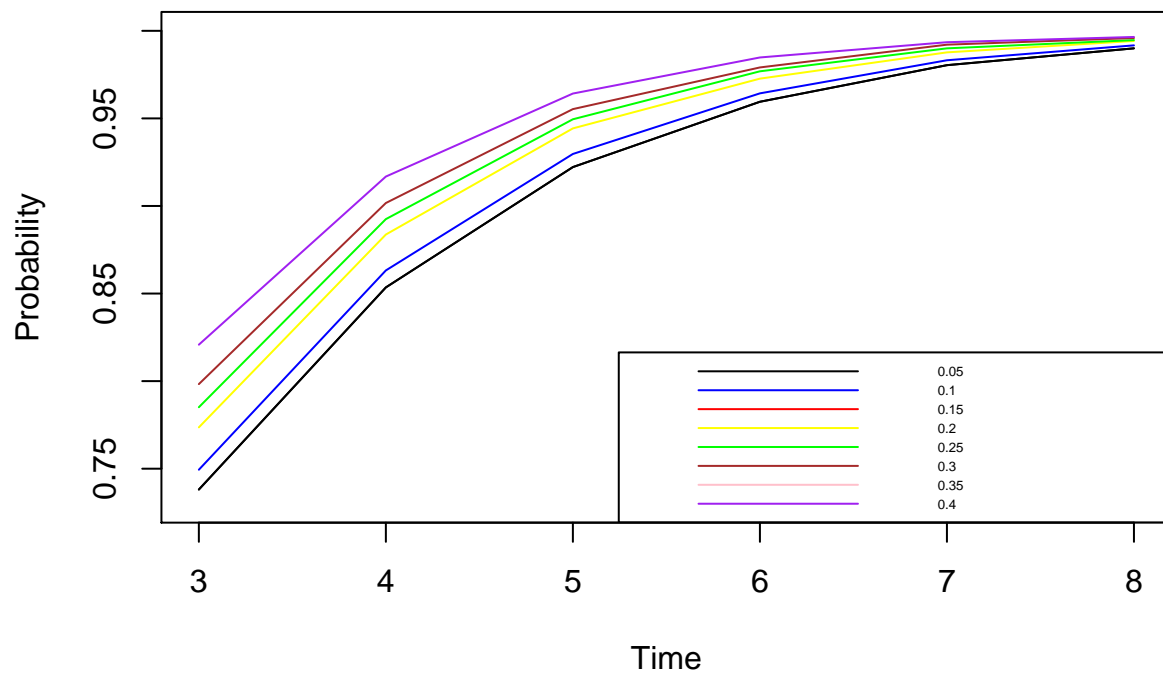


Probability

Probability, lambda1=0.2

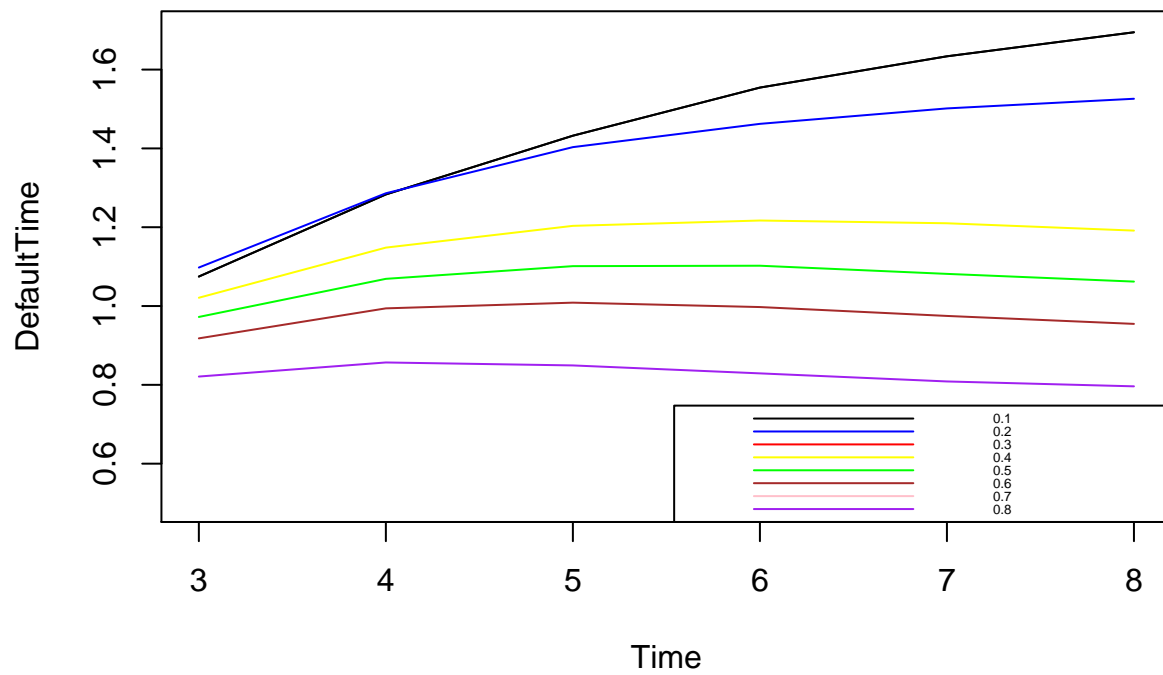


Probability, lambda2=0.4



Expected Exercise Time

Default Time, $\lambda_1=0.2$



Default Time, $\lambda_2=0.4$

