Source | Model Presentation

hk1d

1 Description

Hull and White models [?] are defined by an EDS which describes the evolution of the spot rate $r(t)$:

$$\begin{cases} dx(t) = -a\,x(t)\,dt + \sigma\,dW(t), \quad x(0) = 0 \\ r(t) = x(t) + \phi(t). \end{cases}$$

Where the function ϕ is a deterministic function totally given by the market values of the zero coupon bonds.