CQF Exercises 4.5 Convertible Bonds

1. If we were using convertible bonds for speculation, we may wish to use an estimated drift rate for the asset, instead of the risk-free rate. Using no more than one paragraph, explain how this would change the pricing equation?

2. Write a computer code based on the explicit .nite di¤erence method to price convertible bonds. Consider conversion and e¤ects of coupons. Modify your code to callables and putables.